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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549  
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FORM 10-Q  
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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JULY 31, 2002

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 0-22378

MOVADO GROUP, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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

13-2595932  
(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 the number of shares outstanding of each of the Issuer's classes of Common Stock, as of the latest practicable date.

As of September 11, 2002 the Registrant had 3,428,277 shares of Class A Common Stock, par value \$0.01 per share, outstanding and 10,026,616 shares of Common Stock, par value \$0.01 per share, outstanding.

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MOVADO GROUP, INC.

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JULY 31, 2002

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PART 1 - FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS

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

	JULY 31, 2002 ----	JANUARY 31, 2002 ----	JULY 31, 2001 ----
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 29,355	\$ 16,971	\$ 13,636
Trade receivables, net	102,120	92,014	105,362
Inventories, net	119,858	98,589	106,732
Other	32,970	19,467	25,880
	-----	-----	-----
Total current assets	284,303	227,041	251,610
Property, plant and equipment, net	38,250	38,726	34,000
Other	26,171	24,909	23,006
	-----	-----	-----
Total assets	\$ 348,724 =====	\$ 290,676 =====	\$ 308,616 =====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Loans payable to banks	\$ 32,000	\$ 6,500	\$ 44,350
Current portion of long-term debt	5,000	5,000	5,000
Accounts payable	22,037	23,824	16,558
Accrued liabilities	24,639	25,417	22,690
Current taxes payable	8,538	8,646	8,228
Deferred taxes payable	4,313	3,722	2,962
	-----	-----	-----
Total current liabilities	96,527	73,109	99,788
Long-term debt	35,000	35,000	40,000
Deferred and non-current foreign income taxes	1,708	1,513	3,343
Other liabilities	7,844	8,584	6,692
	-----	-----	-----
Total liabilities	141,079	118,206	149,823
	-----	-----	-----
Shareholders' equity:			
Preferred Stock, \$0.01 par value, 5,000,000 shares authorized; no shares issued	--	--	--
Common Stock, \$0.01 par value, 20,000,000 shares authorized; 9,999,947, 9,797,776 and 9,735,448 shares issued, respectively	99	98	98
Class A Common Stock, \$0.01 par value, 10,000,000 shares authorized; 3,473,123, 3,509,733 and 3,509,733 shares issued and outstanding, respectively	35	35	35
Capital in excess of par value	71,213	69,484	68,620
Retained earnings	162,031	153,830	142,366
Accumulated other comprehensive income (loss)	1,958	(23,286)	(24,416)
Treasury stock, 1,544,487, 1,544,487 and 1,556,670 shares, respectively, at cost	(27,691)	(27,691)	(27,910)
	-----	-----	-----
Total shareholders' equity	207,645	172,470	158,793
	-----	-----	-----
Total liabilities and shareholders' equity	\$ 348,724 =====	\$ 290,676 =====	\$ 308,616 =====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	SIX MONTHS ENDED JULY 31,		THREE MONTHS ENDED JULY 31,	
	2002	2001	2002	2001
	-----	-----	-----	-----
Net sales	\$ 129,515	\$ 134,864	\$ 72,244	\$ 78,352
Cost of sales	49,963	51,932	27,871	30,364
	-----	-----	-----	-----
Gross Profit	79,552	82,932	44,373	47,988
Operating Expenses:				
Selling, general and administrative	69,616	73,105	35,825	39,215
	-----	-----	-----	-----
Operating income	9,936	9,827	8,548	8,773
Net interest expense	2,014	2,887	1,087	1,655
	-----	-----	-----	-----
Income before income taxes and cumulative effect of a change in accounting principle	7,922	6,940	7,461	7,118
Provision for income taxes	2,218	1,943	2,089	1,993
	-----	-----	-----	-----
Income before cumulative effect of a change in accounting principle	5,704	4,997	5,372	5,125
Cumulative effect of a change in accounting principle, net of a tax benefit of \$42	--	(109)	--	--
	-----	-----	-----	-----
Net income	\$ 5,704	\$ 4,888	\$ 5,372	\$ 5,125
	=====	=====	=====	=====
Basic income per share				
Income before cumulative effect of a change in accounting principle	\$ 0.48	\$ 0.43	\$ 0.45	\$ 0.44
Cumulative effect of an accounting change	--	(0.01)	--	--
	-----	-----	-----	-----
Net income per share	\$ 0.48	\$ 0.42	\$ 0.45	\$ 0.44
	=====	=====	=====	=====
Weighted basic average shares outstanding	11,794	11,650	11,826	11,670
	=====	=====	=====	=====
Diluted income per share				
Income before cumulative effect of a change in accounting principle	\$ 0.47	\$ 0.41	\$ 0.44	\$ 0.42
Cumulative effect of an accounting change	--	(0.01)	--	--
	-----	-----	-----	-----
Net income per share	\$ 0.47	\$ 0.40	\$ 0.44	\$ 0.42
	=====	=====	=====	=====
Weighted diluted average shares outstanding	12,194	12,075	12,248	12,195
	=====	=====	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	SIX MONTHS ENDED JULY 31,	
	2002	2001
	-----	-----
Cash flows from operating activities:		
Net income	\$ 5,704	\$ 4,888
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	3,872	3,412
Provision for losses on accounts receivable	920	839
Provision for losses on inventory	580	422
Changes in current assets and liabilities:		
Trade receivables	(9,834)	(8,638)
Inventories	(15,968)	(13,198)
Other current assets	1,458	(6,349)
Accounts payable	(3,253)	(11,677)
Accrued liabilities	(1,583)	(5,113)
Deferred & current taxes payable	(381)	(4,010)
Other non-current assets	4,315	(5,563)
Other non-current liabilities	(740)	5,858
	-----	-----
Net cash used in operating activities	(14,910)	(39,129)
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(1,801)	(4,930)
Trademarks and other intangibles	(165)	(426)
	-----	-----
Net cash used in investing activities	(1,966)	(5,356)
	-----	-----
Cash flows from financing activities:		
Net proceeds from bank borrowings	25,500	35,550
Stock options exercised & other	1,886	1,379
Dividends paid	(709)	(698)
	-----	-----
Net cash provided by financing activities	26,677	36,231
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	2,583	(1,169)
	-----	-----
Net increase (decrease) in cash and cash equivalents	12,384	(9,423)
Cash and cash equivalents at beginning of period	16,971	23,059
	-----	-----
Cash and cash equivalents at end of period	\$ 29,355	\$ 13,636
	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MOVADO GROUP, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared by Movado Group, Inc. (the "Company") in a manner consistent with that used in the preparation of the financial statements included in the Company's fiscal 2002 Annual Report filed on Form 10-K. In the opinion of management, the accompanying financial statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of the financial position and results of operations for the periods presented. These consolidated financial statements should be read in conjunction with the aforementioned annual report. 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 prior year amounts have been reclassified to conform to the current presentation.

NOTE 2 - INVENTORIES

Inventories consist of the following (in thousands):

	JULY 31, 2002	JANUARY 31, 2002	JULY 31, 2001
	----	----	----
Finished goods	\$ 75,690	\$ 63,956	\$ 66,806
Component parts	40,820	32,531	35,910
Work-in-process	3,348	2,102	4,016
	-----	-----	-----
	\$119,858	\$ 98,589	\$106,732
	=====	=====	=====

NOTE 3 - SUPPLEMENTAL CASH FLOW INFORMATION

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

	SIX MONTHS ENDED JULY 31,	
	2002	2001
	-----	-----
Cash paid during the period for:		
Interest	\$1,668	\$2,718
Income taxes	\$2,766	\$6,062

NOTE 4 - OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the six and three months ended July 31, 2002 and 2001 are as follows (in thousands):

	SIX MONTHS ENDED		THREE MONTHS ENDED	
	JULY 31, 2002	JULY 31, 2001	JULY 31, 2002	JULY 31, 2001
Balance at beginning of period	(\$23,286)	(\$18,169)	(\$17,749)	(\$25,497)
Accounting change, net of tax	--	367	--	--
Net unrealized loss on investment, net of tax	(71)	--	(60)	--
Effective portion of unrealized income on hedging contracts, net of tax	6,424	85	5,375	533
Foreign currency translation adjustment	18,891	(6,699)	14,392	548
Balance at end of period	<u>\$ 1,958</u>	<u>(\$24,416)</u>	<u>\$ 1,958</u>	<u>(\$24,416)</u>

NOTE 5 - SEGMENT INFORMATION

The Company conducts its business primarily in three operating segments: "Wholesale," "Retail" and "Other." The Company's Wholesale segment includes the designing, manufacturing and distribution of quality watches. Retail includes the Movado Boutiques and outlet stores. Other includes the Company's service center operations and shipping. Operating segment data for the six months and three months ended July 31, 2002 and 2001 are as follows (in thousands):

	FOR THE SIX MONTHS ENDED JULY 31,			
	NET SALES		OPERATING INCOME	
	2002	2001	2002	2001
Wholesale	\$103,159	\$112,291	\$ 11,138	\$ 11,058
Retail	22,417	18,316	(1,186)	(1,491)
Other	3,939	4,257	(16)	260
Consolidated total	<u>\$129,515</u>	<u>\$134,864</u>	<u>\$ 9,936</u>	<u>\$ 9,827</u>

	FOR THE THREE MONTHS ENDED JULY 31,			
	NET SALES		OPERATING INCOME	
	2002	2001	2002	2001
Wholesale	\$57,702	\$65,231	\$ 8,738	\$ 8,770
Retail	12,581	10,776	133	(123)
Other	1,961	2,345	(323)	126
Consolidated total	<u>\$72,244</u>	<u>\$78,352</u>	<u>\$ 8,548</u>	<u>\$ 8,773</u>

## NOTE 6 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

On August 15, 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. In addition, the associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently allocated to expense over the asset's useful life. The Company does not expect that the adoption of this statement will have a material impact on its financial position or results of operations.

In May 2002, FASB issued SFAS No. 145, "Rescission of SFAS Nos. 4, 44, and 64, Amendment of FAS 13, and Technical Corrections as of April 2002," which relates to the accounting for the extinguishment of debt, certain lease modifications and other various technical corrections to other existing pronouncements. SFAS No. 145 is effective for fiscal years after May 15, 2002 and is effective for SFAS No. 13 transactions occurring after May 15, 2002. This statement rescinds SFAS No. 4 and, thus, the exception to applying Accounting Principles Board Opinion No. 30 ("APB No. 30") to all gains and losses related to extinguishment of debt. As a result, gains and losses from extinguishment of debt should be classified as extraordinary items only if they meet the criteria in APB No. 30. SFAS No. 64 previously amended SFAS No. 4 and is no longer necessary because SFAS No. 4 has been rescinded. This statement amends SFAS No. 13 to require sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also rescinds SFAS No. 44 and makes various technical corrections to other existing pronouncements. The Company does not expect the adoption of this statement will have a material impact on its financial position or results of operations.

On July 29, 2002, FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under Issue No. 94-3, a liability for an exit cost as defined in Issue No. 94-3 was recognized at the date of an entity's commitment to an exit plan. Therefore, this statement eliminates the definition and requirements for recognition of exit costs in Issue No. 94-3. This Company does not expect the adoption of this statement will have a material impact on its financial position or results of operations.



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

### FORWARD LOOKING STATEMENTS

Statements included under Management's Discussion and Analysis of Financial Condition and Results of Operations and in any other part of this report, as well as statements in future filings by the Company with the Securities and Exchange Commission ("SEC"), in the Company's press releases and oral statements made by or with the approval of an authorized executive officer of the Company, which are not historical in nature, are intended to be, and are hereby identified as, "forward looking statements" for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934. The Company cautions readers that forward looking statements include, without limitation, those relating to the Company's future business prospects, revenues, working capital, liquidity, capital needs, plans for future operations, effective tax rates, margins, interest costs, and income, as well as assumptions relating to the foregoing. Forward looking statements are subject to certain risks and uncertainties, some of which cannot be predicted or quantified. Actual results and future events could differ materially from those indicated in the forward looking statements due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company's reports filed with the SEC including, without limitation, the following: general economic and business conditions which may impact disposable income of consumers, 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 loss of any significant supplier, the loss of significant customers, the Company's dependence on key officers, the continuation of licensing arrangements with third parties, ability to secure and protect trademarks, patents and other intellectual property rights, 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, general risks associated with doing business outside the United States including, without limitations, import duties, tariffs, quotas, currency translation, political and economic stability and success of hedging strategies in respect of currency exchange rate fluctuations.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There has been no material change in the Company's Critical Accounting Policies and Estimates, as disclosed in its Annual Report on Form 10-K for the fiscal year ended January 31, 2002.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JULY 31, 2002 AS COMPARED TO THE SIX MONTHS ENDED JULY 31, 2001.

Net sales: Comparative net sales by product class were as follows:

	Six Months Ended July 31,	
	2002	2001
	----	----
Concord, Movado, Coach, ESQ and Tommy Hilfiger		
Domestic	\$ 85,828	\$ 88,685
International	17,331	23,606
Retail	22,417	18,316
Other	3,939	4,257
	-----	-----
Net Sales	\$129,515	\$134,864
	=====	=====

Net sales decreased by \$5.3 million or 4.0% for the six months ended July 31, 2002 as compared to the six months ended July 31, 2001. Domestic sales of our watch brands decreased by \$2.9 million or 3.2% due to softness in the luxury segment of the retail market in addition to retailers more closely managing their inventories. International watch brand sales decreased by \$6.3 million or 26.6% due to a slowdown in the luxury goods markets in the Far East, Europe and the Middle East.

Retail sales increased by \$4.1 million or 22.4%. Growth in the retail sales category was primarily attributable to new store openings and comparable store sales increases in the outlets of 10.8% and the Movado Boutiques of 4.8%. As of July 31, 2002, there were ten Movado Boutiques and 26 outlets as compared to seven Movado Boutiques and 24 outlets open as of July 31, 2001. Other net sales, which include sales from the Company's service center operations and shipping income, decreased by \$0.3 million or 7.5%.

Gross Margin. The gross profit for the six months ended July 31, 2002 was \$79.6 million (61.4% of net sales) as compared to \$82.9 million (61.5% of net sales) for the six months ended July 31, 2001. The gross profit decrease of \$3.4 million primarily relates to the decrease in sales.

Selling, General and Administrative. Selling, general and administrative expenses for the six months ended July 31, 2002 were \$69.6 million or 53.8% of net sales as compared to \$73.1 million or 54.2% for the six months ended July 31, 2001. The \$3.5 million or 4.8% decrease was attributable to planned reductions in marketing expenditures, lower expenses due to decreased sales volume and decreases in expenses resulting from the Company's expense reduction initiatives, offset by spending in support of the growth of the retail businesses.

Interest Expense. Net interest expense for the six months ended July 31, 2002 was \$2.0 million as compared to \$2.9 million for six months ended July 31, 2001, a 30.2% decrease. Interest decreased due to a decline in average short-term bank borrowings and a reduction of interest rates.

Income Taxes. The Company recorded a tax expense of \$2.2 million for the six months ended July 31, 2002 as compared to a tax expense of \$1.9 million for the six months ended July 31, 2001. Taxes were recorded at a 28.0% rate for both fiscal 2003 and fiscal 2002. The Company's effective tax rate reflects the current expectation of the overall foreign to domestic earnings mix, local statutory tax rates and the Company's ability to utilize net operating loss carryforwards in certain jurisdictions.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JULY 31, 2002 AS COMPARED TO THE THREE MONTHS ENDED JULY 31, 2001.

Net sales: Comparative net sales by product class were as follows:

Three Months	
Ended July	
31, 2002	
2001 -----	
-----	
-----	
Concord,	
Movado,	
Coach, ESQ	
and Tommy	
Hilfiger	
Domestic	
\$49,371	
\$52,264	
International	
8,331	12,967
Retail	
12,581	
10,776	Other
1,961	2,345
-----	
--- Net	
Sales	
\$72,244	
\$78,352	
=====	
=====	

Net sales decreased by \$6.1 million or 7.8% for the three months ended July 31, 2002 as compared to the three months ended July 31, 2001. Domestic sales of our watch brands decreased by \$2.9 million or 5.5%, which reflects a combination of our retailers more closely managing their inventories and the reduction in retail activity in the U.S. luxury goods markets. International watch brand sales decreased by \$4.6 million or 35.7% due to adverse economic conditions in the luxury markets in the Far East, Europe, and the Middle East.

Retail sales increased by \$1.8 million or 16.8%. Growth in the retail sales category was primarily attributable to new store openings and comparable store sales increases in the outlets of 9.5% and the Movado Boutiques of 1.5%. As of July 31, 2002, there were ten Movado Boutiques and 26 outlets as compared to seven Movado Boutiques and 24 outlets open as of July 31, 2001. Other net sales, which include sales from the Company's service center operations and shipping income, decreased by \$0.4 million or 16.4%.

Gross Margin. The gross profit for the three months ended July 31, 2002 was \$44.4 million (61.4% of net sales) as compared to \$48.0 million (61.2% of net sales) for the three months ended July 31, 2001. The gross profit decrease of \$3.6 million reflects the decrease in sales and the gross margin percentage increase in fiscal 2003 is the result of the Company's success in its supply chain productivity initiatives.

Selling, General and Administrative. Selling, general and administrative expenses for the quarter were \$35.8 million or 49.6% of net sales as compared to \$39.2 million or 50.0% of net sales in the second quarter of last year. The \$3.4 million or 8.6% decrease was attributable to planned reductions in marketing expenditures, lower

expenses due to decreased sales volume and the cost savings resulting from the Company's cost reduction initiatives, offset by increased spending in support of the Movado Boutiques.

Interest Expense. Net interest expense for the three months ended July 31, 2002 was \$1.1 million as compared to \$1.7 million for the three months ended July 31, 2001, a 34.3% reduction. Interest decreased due to a decline in average short-term bank borrowings and a reduction of interest rates.

Income Taxes. The Company recorded a tax expense of \$2.1 million for the three months ended July 31, 2002 as compared to a tax expense of \$2.0 million for the three months ended July 31, 2001. Taxes were recorded at a 28.0% rate for both the second quarter of fiscal 2003 and fiscal 2002. The Company's effective tax rate reflects the current expectation of the overall foreign to domestic earnings mix, local statutory tax rates and the Company's ability to utilize net operating loss carryforwards in certain jurisdictions.

#### LIQUIDITY AND FINANCIAL POSITION

Cash used in operating activities amounted to \$14.9 million and \$39.1 million for the six months ended July 31, 2002 and 2001, respectively. The reduction in cash flow used in operating activities for the comparative six months ended July 31, 2002 and 2001 was mainly due to the timing of inventory purchases and related payments, reductions in operating expenses and an increase of net income in fiscal 2003 as compared to fiscal 2002.

Cash used in investing activities amounted to \$2.0 million and \$5.4 million for the six months ended July 31, 2002 and 2001, respectively, and was primarily for capital expenditures. For the six months ended July 31, 2002, capital expenditures were mainly for various information systems projects and general corporate and retail capital improvements. Expenditures for the six months ended July 31, 2001 relate primarily to the build-out of the Paramus, N.J. corporate offices, information systems enhancements and pre-construction costs for three new Movado Boutiques opened in the third quarter of fiscal 2002.

Cash provided by financing activities amounted to \$26.7 million and \$36.2 million for the six months ended July 31, 2002 and 2001, respectively, which were due to seasonal short-term bank borrowings. In fiscal 2003, the Company's seasonal borrowing decreased due mainly to a reduction in capital expenditures and the results of the Company's productivity improvements and cost reductions.

At July 31, 2002, the Company had two series of Senior Notes outstanding. Senior Notes due January 31, 2005 were originally issued in a private placement completed in fiscal 1994. These notes have required annual principal payments of \$5.0 million since January 1998 and bear interest of 6.56% per annum. 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 at 6.90%, mature on October 30, 2010 and are subject to annual repayments of \$5.0 million commencing October 31, 2006.

On March 21, 2001, the Company entered into a new Note Purchase and Private Shelf Agreement, which 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 June 22, 2000, the Company completed the renewal of its revolving credit line with its bank group. The new agreement provides for a three year \$100.0 million unsecured revolving line of credit. In addition, the Company has a \$15.0 million uncommitted working capital line with its bank group which is renewed annually. In July 2002 and August 2002, the Company renewed its \$15.0 million of uncommitted working capital lines. At July 31, 2002, the Company had \$32.0 million of outstanding borrowings under its bank lines as compared

to \$44.4 million at July 31, 2001. In addition, one bank in the domestic bank group issued five irrevocable standby letters of credit for retail and operating facility leases and Canadian payroll to various landlords and the Royal Bank of Canada totaling \$0.5 million with expiration dates through May 15, 2003.

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 8.8 million Swiss francs and 11.3 million Swiss francs, with dollar equivalents of approximately \$5.9 million and \$7.6 million at July 31, 2002 and 2001, respectively, of which a maximum of \$5.0 million can be drawn. As of July 31, 2002, the Swiss bank has made guarantees to certain Swiss vendors on behalf of the Swiss subsidiary of approximately 1.3 million Swiss francs.

Under a series of share repurchase authorizations approved by the Board of Directors, the Company has maintained a discretionary share buy-back program. There were no purchases during fiscal 2002 under the repurchase program and there have been no repurchases for the six months ended July 31, 2002.

The Company paid dividends of approximately \$709,000 and \$698,000 for the six months ended July 31, 2002 and 2001, respectively.

Cash and cash equivalents at July 31, 2002 amounted to \$29.4 million compared to \$13.6 million at July 31, 2001. The increase in cash relates to the timing of payments for inventory, translation of Swiss entities' cash balances and the reduction in cash requirements due to the Company's productivity improvement and expense reduction initiatives. Net debt to total capitalization at July 31, 2002 was 20.5% as compared to 47.7% at July 31, 2001.

### Item 3. Quantitative and Qualitative Disclosure about Market Risks

#### FOREIGN CURRENCY RISK

The majority 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 purchases various financial instruments, predominately forward and option contracts. Gains and losses on financial instruments resulting from this hedging activity are partially offset by the effects of the currency movements on respective underlying hedged transactions. If the Company did not engage in a hedging program, any change in the Swiss franc currency rate would have an equal effect on the entities' cost of sales. As of July 31, 2002, the Company has a Swiss forward contract hedging portfolio of 177.0 million Swiss francs with contracts maturing at various dates ranging through June 10, 2003. In addition, the Company has six Swiss franc option contracts of which 15.0 million Swiss francs mature on July 31, 2003, 15.0 million Swiss francs mature on February 12, 2004 and 5.0 million Swiss francs mature on February 25, 2004.

The Company's international trade business accounts for approximately 14.0% of the Company's sales in various currencies. The international trade operations are denominated in local currency and fluctuations in these currency rates may have an impact on our sales, cost of sales, operating expenses and net income. During the six months ended July 31, 2002 and 2001, there was no material effect to the results of operations due to foreign currency rate fluctuations. There can be no assurance that this trend will continue.

#### INTEREST RATE RISK

As of July 31, 2002, the Company has \$32.0 million in short-term bank debt obligations with variable interest rates, which are based on LIBOR plus a applicable LIBOR loan spread. The Company does not hedge these interest rate risks. The Company also has \$40.0 million Senior Note debt bearing fixed interest rates per annum. The difference between the market based interest rates at July 31, 2002 and the fixed rates were unfavorable.

### Item 4. Controls and Procedures

Not applicable.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On June 18, 2002, the Company held its annual meeting of shareholders at its corporate office in Paramus, New Jersey.

The following matters were voted upon at the meeting:

- (i) Margaret Hayes Adame, Richard Cote, Efraim Grinberg, Gedalio Grinberg, Alan H. Howard, Donald Oresman, Leonard L. Silverstein were elected directors of the Company. The results of the vote were as follows:

Nominee -----	For ---	Withheld/ Against -----
Margaret Hayes Adame .....	35,623,879	235,660
Richard Cote .....	34,976,587	882,952
Efraim Grinberg .....	34,977,987	881,552
Gedalio Grinberg .....	34,977,987	881,552
Alan H Howard .....	35,623,879	235,660
Donald Oresman .....	35,623,429	236,110
Leonard L Silverstein ....	35,579,629	279,910

- (ii) A proposal to ratify the selection of PricewaterhouseCoopers LLP as the Company's independent public accountants for the fiscal year ending January 31, 2003 was approved. The results of the vote were as follows:

For ---	Withheld/ Against -----	Exception/ Abstain -----
35,639,785	218,886	868

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 10.1 First Amendment to the License Agreement dated June 3, 1999 between Tommy Hilfiger Licensing, Inc., Registrant and Movado Watch Company S.A. entered into January 16, 2002.\*

- 10.2 Second Amendment to the License Agreement dated June 3, 1999 between Tommy Hilfiger Licensing, Inc., Registrant and Movado Watch Company S.A. entered into August 1, 2002.\*
- 10.3 Letter Agreement dated August 14, 2002 amending Line of Credit Agreement between the Registrant and the Bank of New York dated August 20, 2001.
- 10.4 Line of Credit Letter Agreement dated June 20, 2002 between the Registrant and Fleet National Bank.
- 99.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 99.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

None

\*Confidential portions of Exhibits 10.1 and 10.2 have been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.



SIGNATURES

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

MOVADO GROUP, INC.  
(Registrant)

Dated: September 16, 2002

By: /s/ Eugene J. Karpovich

-----  
Eugene J. Karpovich  
Senior Vice President and  
Chief Financial Officer  
(Chief Financial Officer and  
Principal Accounting Officer)

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 quarterly 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 quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.

Date: September 16, 2002

/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 quarterly 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 quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.

Date: September 16, 2002

/s/ Eugene J. Karpovich

-----  
Eugene J. Karpovich  
Senior Vice President and  
Chief Financial Officer

FIRST AMENDMENT TO LICENSE AGREEMENT  
DATED JUNE 3, 1999 BETWEEN  
TOMMY HILFIGER LICENSING, INC. AND  
MOVADO GROUP, INC.

AGREEMENT entered into as of the 16th day of January, 2002 by and between TOMMY HILFIGER LICENSING, INC., a Delaware corporation, having an address at University Plaza - Bellevue Building, 262 Chapman Road, Suite 103A, Newark, Delaware 19702 (hereinafter referred to as "Hilfiger") and MOVADO GROUP, INC., a New York corporation, having its offices at 650 From Road, Paramus, New Jersey 07652 ("MGI") and MOVADO WATCH COMPANY, S.A., successor by merger with N.A. TRADING, S.A., a Swiss corporation, having its offices at Bettlachstrasse 8, 2540 Grenchen, Switzerland ("MWC") (MGI and MWC are hereinafter jointly referred to as "Licensee").

W I T N E S S E T H:

WHEREAS, Hilfiger and Licensee entered into a license agreement dated June 3, 1999 (the "License"); and

WHEREAS, the parties have agreed to the amendments to the License contained herein.

NOW, THEREFORE, the parties hereto, in consideration of the mutual agreements contained and promises herein expressed, and for other good consideration acknowledged by each of them to be satisfactory and adequate, do hereby agree as follows:

1. All capitalized terms used herein shall have the meanings ascribed to them in the License.

2. Paragraph 7.7 of the License is hereby amended by deleting the same in its entirety and replacing it with the following:

"7.7 APPROVED CUSTOMERS. Licensee may sell Licensed Products only to those specialty shops, department stores and retail outlets (including those who sell directly to the consumer) that carry high quality and prestige merchandise and

(\*CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED FROM EXHIBIT "P" THERETO AND FROM ADDENDUM "A" TO EXHIBIT "Q" THERETO AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") PURSUANT TO RULE 24b-2 OF THE SECURITIES EXCHANGE ACT OF 1934 ("1934 ACT")).

whose operations are consistent with Hilfiger's reputation and sales policies. In addition, Licensee may sell Licensed Products to corporate accounts, which have been approved in writing by Hilfiger, for the use of the employees of such corporate accounts ("Approved Corporate Accounts"). Approved Corporate Accounts shall in no event include corporate accounts selling alcohol, tobacco, gaming and firearms products. A list of Approved Corporate Accounts is annexed hereto as Exhibit P. Upon execution of this Agreement, and prior to the opening of each selling season (and whenever Licensee wishes to sell Licensed Products to customers not previously approved by Hilfiger), Licensee must submit a list of its proposed customers (not including previously approved customers) for Hilfiger's written approval. Hilfiger has the right to withdraw any such approval on written notice to Licensee, provided, however, that Hilfiger will not withdraw approval of a customer which is then carrying any products of Hilfiger's men's sportswear licensee unless Hilfiger is reasonably dissatisfied with the display, delivery or inventory model of Licensed Products of such customer. After such notice, Licensee may not accept additional orders for Licensed Products from such customer, but may fill any existing order. Anything herein to the contrary notwithstanding, Licensee may sell Licensed Products to advertising specialty companies for resale only to Approved Corporate Accounts, for the use of their employees, and not for resale, provided that such advertising specialty companies shall, prior to receiving any Licensed Products from Licensee, execute an agreement substantially in the form annexed hereto as Exhibit Q and provide an original executed copy of such agreement to Hilfiger."

3. Paragraph 8.2a of the License is hereby amended by changing the dates in the second sentence thereof from "January 15, April 15, July 15 and October 15" to "January 30, April 30, July 30 and October 30."

4. Except as modified hereby, all other paragraphs contained therein shall remain in full force and effect and nothing contained herein shall alter them in any way and are hereby in all respects ratified and confirmed.

IN WITNESS WHEREOF, Hilfiger and Licensee have respectively signed this Amendment as of the date first written above.

TOMMY HILFIGER LICENSING, INC.  
By: /s/ Virginia M. Cleary  
Title: Assistant Secretary

MOVADO GROUP, INC.  
/s/ Timothy F. Michno  
By: Timothy F. Michno  
Title: General Counsel

MOVADO WATCH COMPANY, S.A.  
/s/ Kurt Burki  
By: Kurt Burki  
Title: President

EXHIBIT P

APPROVED CORPORATE ACCOUNTS

\*

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

EXHIBIT Q

Movado Group, Inc.  
650 From Road  
Paramus, New Jersey 07652

(Distributor)

- -----  
- -----

Dear (Distributor):

Please sign this letter where indicated below to confirm your agreement to all of the following:

1. Parties. For the purposes hereof, Movado Group, Inc. shall be "Movado" and you shall be "Distributor".
2. The Products. For the purposes hereof, the "Products" shall mean watches bearing Tommy Hilfiger trademarks.
3. The Trademark. Distributor acknowledges the great value of the good will associated with the Tommy Hilfiger trademarks (the "Trademark") and acknowledges that the Trademark and all the rights therein, and good will attached thereto, belong exclusively to Tommy Hilfiger Licensing, Inc. ("Hilfiger").
4. Distinctiveness and Quality of the Trademark. Distributor agrees to maintain the distinctiveness of the Trademark and the image and high quality of the goods and merchandise bearing the mark presently manufactured and sold by Hilfiger and its licensees, and the prestigious marketing of same as hitherto and presently maintained by Hilfiger and its licensees.
5. Customers. The Products sold to Distributor may be sold by Distributor only to corporate accounts which have been approved in writing by Movado for the use of the employees of such accounts and not for resale ("Approved Corporate Accounts"). Distributor shall submit a written list of the proposed new, previously unapproved, customers for approval by Movado, which approval may be given or withheld at Movado's sole discretion. Distributor acknowledges that Movado must obtain the approval of Hilfiger prior to granting Movado's approval of such customers. A pre-approved list of Approved Corporate Accounts is annexed hereto as Addendum A. Distributor is expressly prohibited from selling the Products to any customer who Distributor knows or has reason to know intends to resell the Products.

6. Use of Trademark, Logo, Creative Materials. Distributor agrees not to make any use of the Trademark, logos and/or other creative materials bearing the Trademark without the express prior approval of Movado and Hilfiger. Distributor acknowledges that Hilfiger owns all copyrights in any such creative materials and shall only use such materials in the form and colors provided by Movado. Distributor shall not use the Trademark, logos or creative materials in any advertising, display or merchandising materials, catalogs, flyers, mailers, nor shall it make any other use without the express, prior approval of Movado and Hilfiger.

Very truly yours,

MOVADO GROUP, INC.

By: \_\_\_\_\_

ACCEPTED AND AGREED TO:  
(Distributor)

By: \_\_\_\_\_



ADDENDUM A

APPROVED CORPORATE ACCOUNTS

\*

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

SECOND AMENDMENT TO LICENSE AGREEMENT  
DATED JUNE 3, 1999 BETWEEN  
TOMMY HILFIGER LICENSING, INC. AND MOVADO GROUP, INC.

AGREEMENT entered into as of the 1st day of August 2002 by and between TOMMY HILFIGER LICENSING, INC., a Delaware corporation, having an address at University Plaza - Bellevue Building, 262 Chapman Road, Suite 103A, Newark, Delaware 19702 (hereinafter referred to as "Hilfiger") and MOVADO GROUP, INC., a New York corporation having its offices at 650 From Road, Paramus, New Jersey 07652 ("MGI") and MOVADO WATCH COMPANY, S.A., successor by merger with N.A. TRADING, S.A., a Swiss corporation, having its offices at Bettlachstrasse 8, 2540 Grenchen, Switzerland ("MWC"). MGI and MWC are hereinafter jointly referred to as "Licensee".

W I T N E S S E T H:

WHEREAS, Hilfiger and Licensee entered into a license agreement dated June 3, 1999, which license agreement was previously amended by amendment dated January 16, 2002 (the "License"); and

WHEREAS, the parties have agreed to the amendments to the License contained herein.

NOW, THEREFORE, the parties hereto, in consideration of the mutual agreements contained and promises herein expressed, and for other good consideration acknowledged by each of them to be satisfactory and adequate, do hereby agree as follows:

1. All capitalized terms used herein shall have the meanings ascribed to them in the License.

2. The following is inserted into the License as Paragraph 1.3A:

"1.3A DISTRIBUTOR means a wholesale distributor approved by Hilfiger to purchase Licensed Products from Licensee and to resell the same to

\*(CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED FROM PAGES 3, 5, 6 AND FROM EXHIBITS "R" AND "S" THERETO AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") PURSUANT TO RULE 24b-2 OF THE SECURITIES EXCHANGE ACT OF 1934 ("1934 ACT")).

approved customers as set forth in Paragraph 7.7 below and who shall agree in writing to be bound by paragraphs 7.7 and 7.8."

3. Paragraph 1.10 of the License is hereby amended by inserting the following after the word "achieve":

"in each Region and Area of the Territory"

4. Paragraph 1.11 of the License is hereby amended by inserting the following immediately before the word "retailers":

"Distributors and to"

5. Paragraph 1.19 of the License is hereby amended by deleting the same in its entirety and replacing it with the following:

"1.19 TERRITORY means the following regions ("Regions") defined below:

- a. WESTERN HEMISPHERE means the Region including the United States (including its territories and possessions as of the date of this Agreement), Canada, the Caribbean Islands (as set forth in Exhibit N), duty free shops (such as, but not limited to, DFS) only worldwide, United States military bases worldwide and Mexico.
- b. EUROPE means the Region including the following areas ("Areas"):
  - (i) NORTH EUROPE means the Area including Germany, Austria, Switzerland, Benelux, France, Denmark, Sweden, Iceland, Norway and Finland;
  - (ii) SOUTH EUROPE means the Area including Spain, Portugal, Greece, Turkey, Italy and the Middle East; and
  - (iii) UNITED KINGDOM means the Area including England, Ireland, Northern Ireland, Scotland and Wales.
- c. PAN PACIFIC means the Region including Hong Kong, Southeast Asia and Australia (specifically not including Japan or Korea)."

6. Paragraph 3.1 is hereby amended by deleting the words "December 31, 2005" and substituting in lieu thereof "December 31, 2006".

7. Paragraph 3.2 is hereby amended by deleting the words "December 31, 2010" and substituting in lieu thereof "December 31, 2011".

8. Paragraph 4.1 of the License is hereby amended by:

(a) deleting the first two sentences thereof and replacing them with the following:

"Licensee will, at its sole cost and expense, employ the following persons or persons with similar titles and responsibility, who will all, except as specifically indicated, work exclusively with Hilfiger's representatives on Licensee's business arising under this Agreement and will report directly to the President of Licensee or his or her designee:

Region -----	Position -----
Global	President
Western Hemisphere	Vice President of Sales
Global	Vice President of Marketing
Global	Designer
Global	Vice President of Design and Product Development
Europe	General Manager (non-exclusive)
Europe	Vice President of Sales
Pan Pacific	General Manager (non-exclusive)
Pan Pacific	Sales Manager

(b) inserting the following after the end of the last sentence:

"Licensee shall also establish a separate division based in Switzerland for the Europe Region."

9. Paragraph 7.5 of the License is hereby amended by deleting the same in its entirety and replacing it with the following:

"During each Annual Period, Licensee must achieve the Minimum Sales Levels indicated on Exhibit R for each Region/Area in the Territory. The Minimum Sales Level for each Region/Area in the Territory for each Annual Period must be the greater of (a) the amounts set forth in Exhibit R for such Region/Area in the Territory, if any, and (b) \* of the actual Net Sales in such Region/Area for the immediately preceding Annual Period (except when the immediately preceding Annual Period is more than twelve months, in which case only the last twelve (12) months of such Annual Period shall apply). In no event, other than for the fourth Annual Period for the Areas/Regions other than the Western Hemisphere, may the Minimum Sales Level for any Annual Period be less than the Minimum Sales Level for the immediately preceding Annual Period."

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

10. Paragraph 7.7 of the License is hereby amended by deleting the same in its entirety and replacing it with the following:

"7.7 APPROVED RETAIL CUSTOMERS. Licensee and its Distributors may sell Licensed Products only to those specialty shops, department stores and retail outlets (including those that sell directly to the consumer) that carry high quality and prestige merchandise and whose operations are consistent with Hilfiger's reputation and sales policies. In addition, Licensee may sell Licensed Products to corporate accounts, which have been approved in writing by Hilfiger, for the use of the employees of such corporate accounts ("Approved Corporate Accounts"). Approved Corporate Accounts shall in no event include corporate accounts selling alcohol, tobacco, gaming and firearms products. A list of Approved Corporate Accounts is annexed hereto as Exhibit P. Upon execution of this Agreement, and prior to the opening of each selling season (and whenever Licensee or its Distributors wish to sell Licensed Products to retail customers not previously approved by Hilfiger), Licensee must submit a list of such proposed retail customers (not including previously approved retail customers) for Hilfiger's written approval. Hilfiger has the right to withdraw any such approval on written notice to Licensee, provided, however, that Hilfiger will not withdraw approval of a retail customer which is then carrying any products of Hilfiger's men's sportswear licensee unless Hilfiger is reasonably dissatisfied with the display, delivery or inventory model of Licensed Products of such retail customer. After such notice, Licensee may not accept additional orders for Licensed Products from such retail customer, but may fill any existing order. Anything herein to the contrary notwithstanding, Licensee may sell Licensed Products to advertising specialty companies for resale only to Approved Corporate Accounts, for the use of their employees, and not for resale, provided that such advertising specialty companies shall, prior to receiving any Licensed Products from Licensee, execute an agreement substantially in the form annexed hereto as Exhibit Q and provide an original executed copy of such agreement to Hilfiger."

11. Paragraph 7.8 is hereby amended by:

- (a) deleting clause (c) thereof and substituting in lieu thereof the following: "(c) sell or distribute any Licensed Products to jobbers, diverters, catalog vendors or any other entity that does not operate retail stores exclusively other than to its Distributors which distribute only to U.S. military bases or to retail customers in the Territory that satisfy the criteria set forth in Paragraph 7.7 hereof"; and
- (b) deleting the words "Licensee shall include and shall enforce the following on all invoices to its customers" and substituting in lieu thereof the words

"Licensee shall include and shall enforce the following on all invoices to its retail customers".

12. Paragraph 7.9c of the License is hereby amended by changing the chart heading from "Fixturing Obligation" to "U.S. Fixturing Obligation".

13. Paragraph 7.12 of the License is hereby amended by deleting the third sentence thereof in its entirety and replacing it with the following:

"The price for such Close-Outs and Seconds and any other Licensed Products purchased by Outlet Stores will be \*

14. Paragraph 7.13 of the License is hereby amended by deleting the same in its entirety and replacing it with the following:

"7.13 PURCHASES BY FRANCHISEES AND TOMMY HILFIGER STORES. For the purposes hereof, "Franchisee" means the operator of stores not owned by or affiliated with Hilfiger that bear the name "Tommy Hilfiger", "Hilfiger" or any derivative thereof. Beginning on the first day of each of Licensee's market periods, Franchisees and Tommy Hilfiger Stores may purchase Licensed Products from Licensee. The prices charged to each shall be as follows:

\*

All of the foregoing purchases will be on standard industry terms. Licensee will fill such orders in a manner at least as favorable as Licensee fills orders from its other customers.

15. Paragraph 8.1 of the License is hereby amended by deleting the chart contained therein and replacing it with the following:

"Annual Period -----	Guaranteed Minimum Advertising Payment -----
First	
Second	
Third	*
Fourth	
Fifth	
Sixth	

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

16. Paragraph 8.2 of the License is hereby amended by

(a) adding the following at the end thereof:

"Licensee may, with Hilfiger's approval in each instance, receive credit towards the Guaranteed Minimum Advertising Payments otherwise due, for cooperative advertising paid for by Licensee. Such approval may be withheld in Hilfiger's sole discretion and, if approved, such credit may be given only upon submission to Hilfiger of such proof of Licensee's expenditures and such advertising as is acceptable to Hilfiger." and

(b) deleting Paragraph 8.2b in its entirety, effective as of July 1, 2002.

17. Paragraph 8.3b is hereby amended by inserting the following after the first sentence thereof:

"Hilfiger will, during the Term hereof, make its best efforts to expend an amount equivalent to \*

18. Paragraph 9.1 of the License is hereby amended by

(a) deleting the first sentence thereof and replacing it with the following:

"Licensee shall, during each Annual Period or portion thereof (calculated on a pro rata basis), pay to Hilfiger the Guaranteed Minimum Royalties set forth on Exhibit S."

(b) deleting the chart contained therein.

19. Paragraph 15.3a of the License is hereby amended by deleting the third sentence thereof and replacing it with the following:

"If Licensee fails to achieve a Minimum Sales Level for one Annual Period in any period of five (5) consecutive Annual Periods, provided that Licensee promptly pays to Hilfiger the Guaranteed Minimum Royalty for such Annual Period, this Agreement shall not be terminated. Notwithstanding the foregoing, if Licensee fails to meet a Minimum Sales Level for a second Annual Period during a period of five (5) consecutive Annual Periods, a notice of termination shall be effective on thirty (30) days notice as follows:

(i) If the Minimum Sales Level which Licensee fails to meet is for the Western Hemisphere, this entire Agreement shall be

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

terminable;

- (ii) If the Minimum Sales Level which Licensee fails to meet is for either Europe or Pan Pacific, this Agreement shall be terminable only as to the Region for which the Minimum Sales Level is not achieved;
- (iii) If the Minimum Sales Level which Licensee fails to meet is for one of the Areas in Europe, this Agreement shall be terminable as to that Area only."

20. Exhibits R, and S annexed to this amendment are hereby added to the License.

21. Except as modified hereby, all other paragraphs contained therein shall remain in full force and effect and nothing contained herein shall alter them in any way and are hereby in all respects ratified and confirmed.

IN WITNESS WHEREOF, Hilfiger and Licensee have respectively signed this agreement as of the date first written above.

TOMMY HILFIGER LICENSING, INC.

MOVADO GROUP, INC.

By: /s/ Virginia M. Cleary  
Title: Assistant Secretary

By: /s/ Richard Cote  
Title: Exec.V.P./Chief Operating Officer

MOVADO WATCH COMPANY, S.A.

By: /s/ Richard Cote  
Title: Director



EXHIBIT R

MINIMUM SALES LEVELS

\*

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

EXHIBIT S

GUARANTEED MINIMUM ROYALTIES

\*

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

THE BANK OF NEW YORK

385 RIFLE CAMP ROAD, WEST PATERSON, N.J. 07424-0403

August 14, 2002

Mr. Frank V. Kimick  
Vice President/Treasurer  
Movado Group, Inc.  
650 From Road  
Paramus, New Jersey 07652

Re: Line of Credit to Movado Group, Inc. (the "Company")

Dear Frank:

Reference is made to the letter dated August 20, 2001 from The Bank of New York (the "Bank") to the Company concerning the line of credit that the Bank holds available to the Company (the "Line Confirmation Letter").

This is to confirm that the date set forth in the second paragraph of the Line Confirmation Letter has been changed to "July 31, 2003".

Except as set forth above, the terms of the Line Confirmation Letter remain in full force and effect without any other amendment, change or modification.

Very truly yours,

THE BANK OF NEW YORK

By: /s/ Susan M. Graham

-----  
Susan M. Graham  
Vice President

THE BANK OF NEW YORK

385 RIFLE CAMP ROAD, WEST PATERSON, N.J. 07424-0403

August 20, 2001

Mr. Kenneth C. Johnson  
Chief Financial Officer  
Movado Group, Inc.  
125 Chubb Avenue  
Lyndhurst, New Jersey 07071

Re: Line of Credit to Movado Group, Inc. (the "Company")

Dear Mr. Johnson:

The Bank of New York (the "Bank") is pleased to confirm that it continues to hold available to the Company an unsecured line of credit.

The line of credit shall be held available until July 31, 2002 unless canceled earlier as provided in the last sentence of this paragraph. During the period the line of credit is held available, the line of credit may be used for direct borrowings by the Company provided that the aggregate amount of all extensions of credit under the line of credit at any one time outstanding (including all extensions of credit which were made under the line of credit prior to the date of this letter and are outstanding as of the date of this letter) shall not exceed \$5,000,000. The line of credit may be canceled by either party at any time for any reason.

The making of any extension of credit under the line of credit is in the Bank's sole and absolute discretion and is subject to the Bank's satisfaction with the condition, (financial and otherwise), business, prospects, properties, assets, ownership, management and operations of the Company and the purpose of each extension of credit. In furtherance of the foregoing, the Bank shall be permitted to inspect the books and records of the Company as the Bank may request from time to time, and there shall be furnished to the Bank such financial statements, documents and other information concerning the Company as the Bank may request from time to time.

All extensions of credit under the line of credit in the form of direct borrowings by the Company (including all extensions of credit which were made under the line of credit prior to the date of this letter and are outstanding as of the date of this letter) shall be evidenced by the

Amended and Restated Master Promissory Note dated June 27, 2000 made by the Company to the order of the Bank in the principal amount of \$5,000,000.00 and shall be payable and bear interest as provided therein.

Prior to the making of any extension of credit under the line of credit after the date of this letter, the Bank shall have received the enclosed copy of this letter and such other instruments, certificates and related documents as the Bank shall consider necessary or desirable in connection with the line of credit and the extensions of credit to be made under the line of credit, in each case duly executed by the appropriate persons and in form and substance satisfactory to the Bank.

This letter may not be amended, and compliance with its terms may not be waived, orally or by course of dealing, but only by a writing signed by an authorized officer of the Bank.

The Company agrees to pay all costs and expenses incurred by the Bank incidental to or in any way relating to enforcement of the Company's obligations under this letter or the protection of the Bank's rights in connection with this letter, including, without limitation, reasonable attorneys' fees and expenses, whether or not litigation is commenced.

THE COMPANY AND THE BANK WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF OR IN ANY WAY CONNECTED TO THIS LETTER.

Please acknowledge the agreement of the Company with the foregoing by executing both copies of this letter in the space below and returning one copy to the Bank.

Very truly yours,

THE BANK OF NEW YORK

By: /s/ Linda Mae Coppa

-----  
Linda Mae Coppa  
Vice President

Acknowledged and Agreed to:

MOVADO GROUP, INC.

By: /s/ Kenneth C. Johnson

-----  
Name: Kenneth C. Johnson  
Title: Chief Financial Officer

[Fleet Logo]  
Commercial Banking

June 20, 2002

Movado Group, Inc.  
650 From Road  
Paramus, New Jersey 07652

Dear Sir or Madam:

We are pleased to advise you that Fleet National Bank, (the "Bank") hereby agrees to consider requests from Movado Group, Inc. (the "Company") for short-term loans ("Loans") from time to time. Please be advised that any extension of credit will be available at the sole discretion of the Bank subject to the following terms and conditions:

**Loan Requests:** Each request for a loan will be, at the Bank's option, reviewed by the Bank and an independent credit analysis and assessment will be made each time a request is received. As you know, however, the Bank shall be under no obligation whatsoever to make any loan or otherwise extend credit to the Company. The Bank may respond to any request for a loan for a stated amount with a loan for a different amount, date or maturity, or may decline to respond entirely.

**Maximum Amount of Loans:** In no event shall the Company have more than \$10,000,000 of Loans outstanding at any one time.

**Expiration and Maturity Date:** Borrowing requests must be made on or before June 19, 2003. All Loans will be payable on the earlier of demand by the Bank (which shall be in the sole and absolute discretion of the Bank) and June 19, 2003.

-1-

A FleetBoston Financial Company

Interest Rate: Loans shall bear interest, at the Company's election, at a rate per annum equal to either (i) a fluctuating rate equal to the Prime Rate, or (ii) such other fixed rate as may be agreed upon between the Company and the Bank for an interest period which is also then agreed upon (a Loan bearing interest at this rate is sometimes called an "Agreed Rate Loan"). The term "Prime Rate" shall be as defined in the attached promissory note (the "Note"), which Note shall evidence all Loans. Interest shall be payable monthly in arrears based on a 360-day year and, for Agreed Rate Loans, on the last day of the applicable Interest Period.

Additional provisions applicable to the Line

The Company shall not grant a security interest in, pledge, assign or otherwise encumber any of its accounts receivable.

All obligations of the Company owing to the Bank shall continue to be unconditionally guaranteed by all active domestic subsidiaries of the Company (collectively, the "Guarantors") pursuant to the Bank's standard form of guarantee (collectively, the "Guarantees").

The Company shall continue to provide the following to the Bank:

- - The consolidated and consolidating balance sheet for the Company and its subsidiaries, consolidated and consolidating statement of income and consolidated statement of cash flow: (i) audited and certified without qualification by accountants satisfactory to the Bank, within 120 days of fiscal year end and (ii) certified by the Company's chief financial officer, within 75 days of the last day of each fiscal quarter.
- - Notices of defaults.
- - Accounts receivable aging reports and such additional information relating thereto as is currently reported.
- - Such other statements and reports as shall be reasonably requested by the Bank.

This letter agreement replaces, supersedes, amends and restates in its entirety the prior letter agreement from the Bank to the Company.

If the terms of this letter are acceptable to you, please indicate your acceptance by signing and returning the enclosed copy of this letter and documentation to the Bank on or before June 30, 2002. This letter shall be unenforceable against the Bank unless so signed and returned on or before such date.

Please contact us if you have any questions. We look forward to continuing our relationship.

Very truly yours,

FLEET NATIONAL BANK

By: /s/ John C. Auth

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Name: John C. Auth  
Title: Vice President

ACCEPTED AND AGREED  
ON JUNE 20, 2002

MOVADO GROUP, INC.

By: /s/ Frank V. Kimick

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Name: Frank V. Kimick  
Title: VP & Treasurer



Each of the guarantors indicated below hereby consents to this letter agreement and reaffirms its continuing liability under its respective guarantees in respect of the above letter agreement and all the documents, instruments and agreements executed pursuant thereto or in connection therewith, without offset, defense or counterclaim (any such offset, defense or counterclaim as may exist being hereby irrevocably waived by each such guarantor).

SWISSAM INC.,  
a New Jersey Corporation

By: /s/ David R. Phalen

-----  
Name: David R. Phalen  
Title:

MOVADO LLC  
a Delaware Limited Liability Company

By: /s/ Timothy F. Michno

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Name: Timothy F. Michno  
Title: General Counsel

FLEET NATIONAL BANK

PROMISSORY NOTE

\$10,000,000.00

June 20, 2002

ON DEMAND, but no later than June 19, 2003 (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 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 Ten Million and 00/100 (\$10,000,000.00) Dollars of 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 schedule attached to and made a part of this Note. 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 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 the following 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 4% per annum in excess of the rate then applicable to Agreed Rate Loans and 4% per annum in excess of the rate then applicable to Prime Loans, payable on demand, and (ii) with respect to Prime

Loans, a rate equal to 4% per annum in excess of the rate then applicable to Prime Loans, payable on demand. 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 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 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 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 be conclusive if made reasonably and in good faith.

4. INCREASED COSTS. If the Bank 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 on demand such additional amounts as the Bank may 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 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 recent 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 or (iii) under any other document, instrument and/or agreement with or in favor of the Bank; 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; 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 g) mortgage or pledge of, creation of a security interest in, any assets of the Borrower, other than security interests in favor of the Bank; or h) the incurrence by the Borrower of any indebtedness for borrowed money, other than obligations owing to the Bank; i) the Bank shall have determined, in its sole 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 sole 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, demand, 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 FleetBoston Financial 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 all other indebtedness and obligations and liabilities of any kind of the Borrower to the Bank, 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 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, together with each other document, instrument or agreement made with or in favor of the Bank.

(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 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 or the allocated costs of in-house 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) The Borrower hereby waives presentment, demand for payment, 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 all agreements between the Borrower, each Guarantor, each other party obligated on this Note and the Bank.

(g) THE BORROWER AND THE BANK (BY ACCEPTANCE OF THIS NOTE) MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY, AND THE BORROWER WAIVES THE RIGHT TO INTERPOSE ANY SET-OFF OR COUNTERCLAIM, IN EACH CASE IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE AND/OR ANY OTHER LOAN DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION HERewith OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY, INCLUDING, WITHOUT LIMITATION, ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS OR ACTIONS OF THE BANK RELATING TO THE ADMINISTRATION OF THE LOANS OR ENFORCEMENT OF THE LOAN DOCUMENTS AND AGREE THAT NEITHER PARTY WILL SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. 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 or other financial institutions (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 Promissory Note made by the Borrower to the order of the Bank dated as of June 21, 2001 (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/ Frank V. Kimick

-----  
Name: Frank V. Kimick  
Title: VP and Treasurer

6/20/02



CERTIFICATION 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 of Movado Group, Inc. (the "Company") on Form 10-Q for the period ending July 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Efraim Grinberg, President and Chief Executive Officer of the Company, certify, 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; 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 16, 2002

/s/Efraim Grinberg

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Efraim Grinberg  
President and  
Chief Executive Officer

CERTIFICATION 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 of Movado Group, Inc. (the "Company") on Form 10-Q for the period ending July 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eugene J. Karpovich, Senior Vice President and Chief Financial Officer of the Company, certify, 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; 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 16, 2002

/s/Eugene J. Karpovich

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Eugene J. Karpovich  
Senior Vice President and  
Chief Financial Officer