MOVADO

MOVADO GROUP, INC.

ANNUAL REPORT 2000

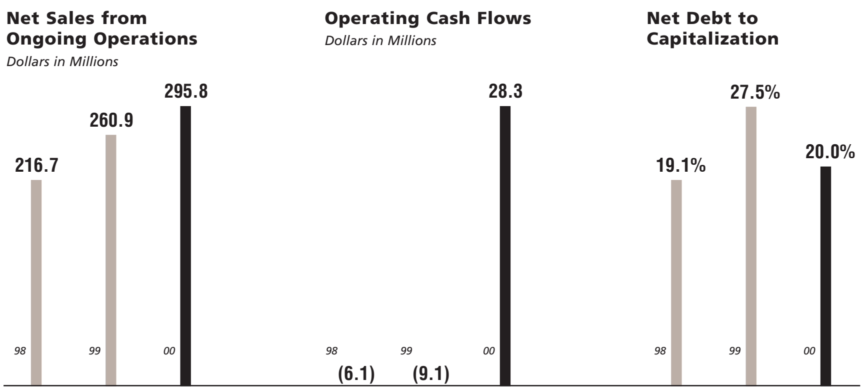
Movado Group, Inc. is proud to design, manufacture and market watches from four of the most recognized and respected names in time: Movado, Concord, Coach and ESQ. We believe that our brands are our most valuable business asset — and the key to our continued success. Brand image is what attracts consumers to our watches and creates momentum for our fine products among retailers. To help ensure the financial security and growth of our Company for ourselves and for our shareholders, we remain committed to creating products of unsurpassed quality and value, along with the most distinctive and sought-after image, for each of our brands.

– The People of Movado Group

FINANCIAL HIGHLIGHTS

Dollars in millions (except per share data)	**2000**	1999	1998
Results of Operations:			
Net sales from ongoing operations	**$295.8**	$260.9	$216.7
Core operating income[1]	**24.1**	32.7	26.0
Operating income	**15.8**	32.7	26.0
Core net income[1][2]	**15.9**	21.0	15.8
Net income	**13.7**	21.0	15.8
Core net income per share[1][2]	**1.24**	1.58	1.29
Net income per share	**1.06**	1.58	1.29
Cash Flows and Financial Position:			
Operating cash flows	**$ 28.3**	$ (9.1)	$ (6.1)
Cash and cash equivalents	**26.6**	5.6	10.9
Working capital	**158.7**	191.0	157.1
Shareholders' equity	**147.8**	162.6	145.5
Net debt to capitalization	**20.0%**	27.5%	19.1%

[1] *Fiscal 2000 excludes one-time charge of $8.3 million pretax, or $5.9 million ($0.46 per share) after tax.*
[2] *Fiscal 2000 excludes after tax gain on sale of the Piaget distribution business of $3.7 million ($0.28 per share).*



MOVADO GROUP

TO OUR FELLOW SHAREHOLDERS:

We are pleased to report that fiscal 2000 marked the sixth consecutive year of record sales for the Company, yet disappointed to have announced earnings lower than in 1999, due to the loss recorded in the fourth quarter. Our financial results for the year were impacted by lower gross margins, a consequence of closeout inventory accounting for a greater-than-expected percentage of sales; expenses and infrastructure investments in excess of plan; and a one-time charge taken in the fourth quarter. However, fiscal 2000 was also a year of solid brand performance. All of our brands sold well, particularly during the holiday season, and each enters fiscal 2001 as strong as ever.

Our wholesale watch business grew at an impressive double-digit rate during fiscal 2000. Movado and Concord continued to achieve substantial increases in sales both domestically and internationally. Our reinvigorated ESQ brand showed strong sales momentum throughout North America with a very sound fourth-quarter retail sell through. Our Coach Watch line, which was launched in fiscal 1999 in what was one of the most successful debuts of a new watch brand ever, continued its powerful sales growth in fiscal 2000.

Our retail business at both the Movado Boutiques and our Movado outlet stores grew significantly this past year. The Movado Boutiques are a key factor in our strategy for future growth, and we have made the decision to expand this business with new retail boutique openings planned for early fiscal 2002.

In fiscal 2000, we also implemented a number of previously announced strategic initiatives. We are partnering with Tommy Hilfiger to produce a new line of fashion watches that will compete in the mass market segment of the industry. The new line is scheduled to debut in Spring 2001. We also successfully completed the sale of the Company’s Piaget and Corum distribution businesses in February 1999 and January 2000, respectively.

Financial Results

Net sales from ongoing operations for the full year increased 13.4% to $295.8 million, as compared with $260.9 million for the fiscal year ended January 31, 1999. Net income for the twelve months ended January 31, 2000 was $13.7 million, or $1.06 per share on a diluted basis, which includes one-time charges of $8.3 million pre-tax, or $0.46 per diluted share after-tax. These one-time charges (a) reflect a write-down of $5.0 million for non-core component inventory that will not generate an acceptable return on capital; (b) provide accruals of $1.0 million relating to asset write-downs and lease termination costs associated with the relocation of our U.S. distribution facility; and (c) relate to a negative adjustment to inventory of $2.3 million following physical counts conducted at our fiscal year-end. Excluding one-time charges and the net after-tax gain of $3.7 million, or $0.28 per diluted share from the sale of the Piaget distribution business in February 1999, the Company's net profit for the full year was $15.9 million, or $1.24 per share, on a diluted basis. Last year's twelve-month net income was $21.0, or $1.58 per diluted share.

The lower-than-expected fourth-quarter and fiscal-year profit results also reflect lower-than-expected gross margins, which resulted from a greater-than-anticipated mix of closeout sales. Operating expenses, particularly advertising support and infrastructure investments, also exceeded plan. We are confident, however, that we have taken the necessary steps to return Movado Group to its historical track record of consistent profitable growth.

In fiscal 2000, the Company reported record cash flows from operating activities of $28.3 million, driven by reductions in inventories and trade receivables. The Company repurchased approximately 762,000 shares of its stock at a total cost of $17.6 million in fiscal 2000. The Company has remaining authorization from its Board of Directors to spend up to an additional $10.2 million for the repurchase of its stock.

Brand Results

The realignment of our sales and marketing group into discrete brand teams, as previously reported, has allowed us to further improve execution at the retail point of sale, and sharpen our focus for each of our brands in terms of products, advertising and distribution on a global basis. Fiscal 2000 was another year of solid sales growth for our business, with domestic sales volume in our continuing brands rising 10.8% to $200 million. Domestically, we continue to place a priority on improving our execution at the point of sale and investing in our brands through advertising and marketing.

International sales volume in our continuing brands rose 10.3% to $56 million. Developing brand recognition and consumer demand is the key to capturing long-term opportunities for our brands internationally. Our global marketing and brand-building initiatives remain focused on specific countries in the Far East, Middle East, and Western Europe where we believe significant opportunity to grow brand sales and gain market share exists.

Growth in each brand was driven both by the continued successes of our core product collections and the positive reception accorded our new product introductions. In Movado, we continued to benefit from the strength of our marketing program as well as new product introductions such as the Harmony and Concerto collections. In Concord, we experienced very positive results with our established collections, as well as an extremely favorable response to our new “be late” lifestyle advertising campaign. ESQ with its new “unwind” advertising campaign has positioned itself to appeal to confident, non-conforming young professionals as the watch brand that gives them the freedom to meet life’s many challenges and adventures. Our Coach brand of watches has expanded to approximately 1100 points of sale including Coach stores and department stores in the United States (the base of Coach leathergoods distribution), as well as Coach stores and other watch retailers in Japan, and duty free stores. Coach watch sales enjoyed a remarkable 23% growth in fiscal 2000.

Retail Results

We continue to be pleased with the success of our Movado Boutique operations and the future growth prospects afforded by this important Company priority. The Company operates five Movado Boutique stores which sell Movado watches along with exclusive Movado jewelry, tabletop accessories and related product line extensions. Four of the stores are located in the metropolitan New York area; the fifth store, at the Venetian Hotel in Las Vegas, was opened in July 1999. The boutiques recorded a robust 24% increase in comparable store results in the fourth quarter of fiscal 2000.

The Company also operates 22 outlet stores located in prime outlet centers throughout the United States. These outlet stores provide the Company with an organized and efficient method of selling discontinued product. The outlets recorded a 17% increase in comparable store sales in fiscal 2000.

Future Growth Initiatives

We continue to be excited by the long-term growth opportunities presented by the planned expansion of our Movado Boutiques and the launch of our Tommy Hilfiger watch line in early 2001.

With the hiring of Scott Ornstein, a seasoned retail merchandising specialist, as President of Movado Boutiques, we will focus on enhancing our boutique product line, further developing retail marketing programs, and prepare ourselves for major store expansions in early fiscal 2002. Our plans call for opening approximately five new boutique stores during fiscal 2002, and between five and fifteen stores yearly for several years thereafter.

Scheduled for a spring 2001 launch, our Tommy Hilfiger line of watches, priced from $50 to $150 at retail, will be Movado’s first foray into the “mass market” – under $100 – segment of the industry. We are convinced that the well established Tommy Hilfiger name will provide our Company instant entrée into the fashion category (stylish accessory watches with designer names typically sold in department stores, versus more utilitarian and digital watches typically sold through discount chain stores) of this large, lower price point segment of the watch market.

Going Forward

While we are disappointed in our earnings this past year, we are confident that we have taken the necessary steps to bring our operating results back in line with historical trends. Our belief that the Company is well positioned to return to its track record of solid, consistent, profitable growth is based on the strength of our brands in the marketplace, with our retailers as well as our consumers; the growth initiatives we are working on this year for execution in early 2001, involving the Movado Boutiques and Tommy Hilfiger line of watches; and the depth, ability and commitment of the Company's management team which has been further strengthened this past year through the addition of Richard Coté, Executive Vice President – Finance and Administration; and Scott Ornstein, President – Movado Boutiques.

We are continuing to streamline our supply chain and focus our product lines to help us lower manufacturing costs and inventory levels while raising product quality and improving order fill rates. We also continue to make progress implementing our new enterprise-wide computer system. The new system was launched in the U.S. in March 1999 and is scheduled to "go live" in Europe later this year. This major business initiative will enable us to standardize information and communications across the Company.

Each year, we focus on executing plans to improve sales and profitability, and enhance shareholder value. We have a deep sense of gratitude to the people who support our efforts around the world: our customers, employees, shareholders and suppliers, all of whom have contributed to our success. In particular, we wish to acknowledge and thank the more than 900 hard working Movado Group employees around the world.

Your Company management is confident that we have the right people and priorities in place to return to our historical trend of profitable growth. We look forward to reporting successful results to you throughout the year and in next year's annual report.

Gedalio Grinberg
Chairman and Chief Executive Officer

Efraim Grinberg
President


MOVADO
SWISS MOVADO QUARTZ

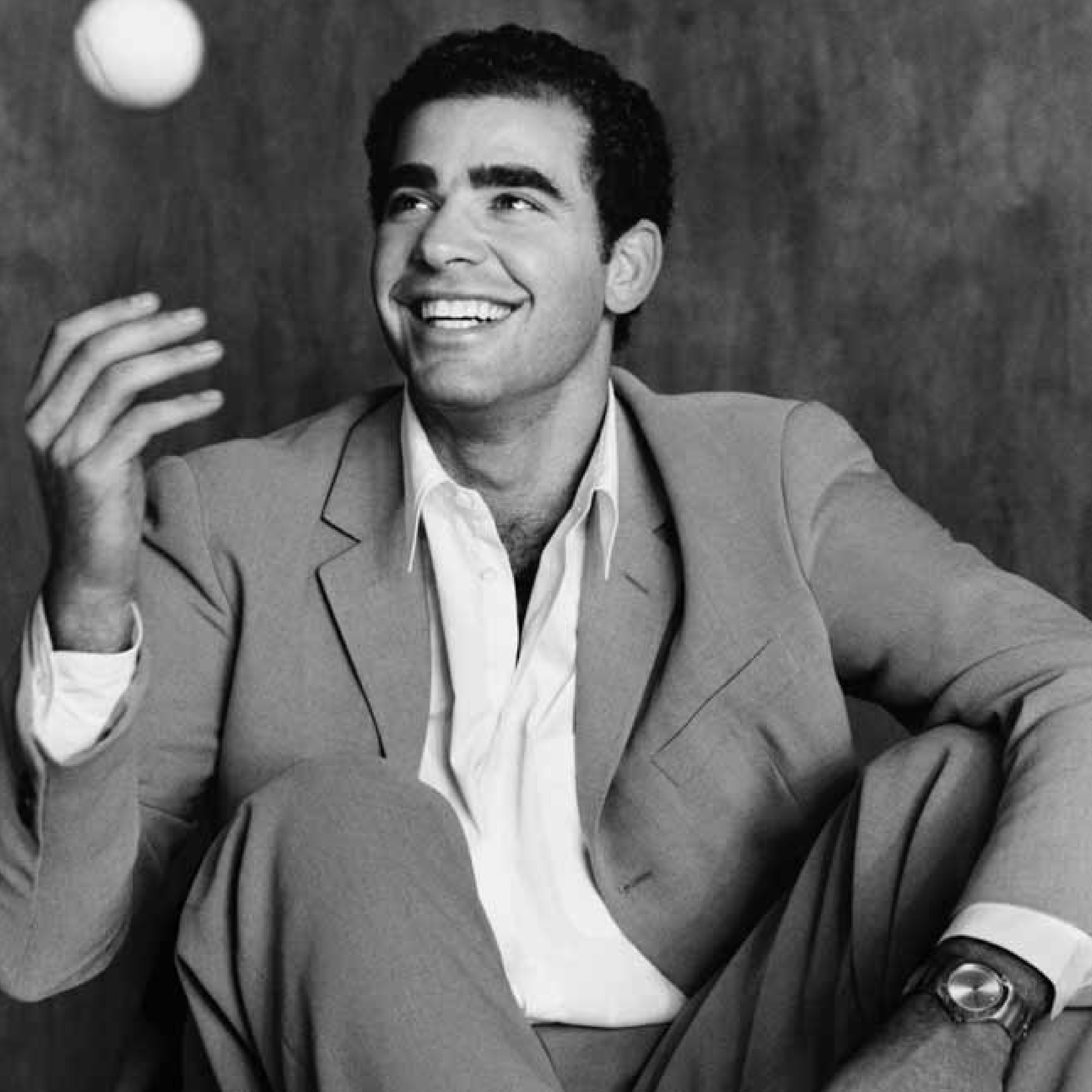

MOVADO

MOVADO
The Museum® Watch.
SWISS

highlights • Movado, the Company's flagship brand, achieved another year of exceptional sales growth in fiscal 2000. • The brand capitalized on the trend toward fashion in watch design with several highly successful new product introductions including the Harmony bangle and Concerto ladies' collections. • With a renewed partnership in Japan and the signing of a new distributor in Germany, Movado has established a solid foundation in two of the world's top watch markets, positioning itself for strong future international growth. • To continue building its upscale brand image at point of sale, Movado introduced sophisticated new packaging for worldwide distribution. • A long-time supporter of the performing arts, Movado became the exclusive watch sponsor of the 1999 lyric season at Italy's world-renowned Opera di Verona, and a sponsor of the Independent Spirit Awards for film. • Pursuing a strategy to extend its brand image to other select product categories, Movado has entered a licensing agreement with the Lantis Eyewear Corporation to produce optical and sunglass collections under the Movado brand name. Designed collaboratively by both companies and distributed worldwide by Lantis, the collections are scheduled to debut in fall 2000.

strategies • The new Movado Sports Edition, a sleek, modern redesign of a best-selling model, will represent a key product introduction for fiscal 2001. • Long recognized for innovation, Movado is launching a leading-edge, interactive shop-in-shop concept at Macy's Herald Square. • Comprehensive point-of-sale materials including new watch displays and visuals will be introduced to complete image-building efforts at retail. • Movado is initiating efforts to enhance its website to better meet the needs of its authorized retailers and today's technology-driven consumer. • A new advertising campaign designed to create fresh awareness of the brand is in development.

Movado Time Sculpture at Lincoln Center




THE NEW MOVADO SE
MOVADO
THE MUSEUM® WATCH. PUSHING THE ARTFORM.
WWW.MOVADO.COM


MOVADO

MOVADO
THE STORE

highlights • In July 1999, the fifth and newest Movado Boutique was opened in the Grand Canal Shoppes at the luxurious new Venetian Resort in Las Vegas, Nevada. • Supported by the mailing of a comprehensive product catalog showcasing exclusive Movado jewelry, tabletop gifts and watches, the Boutiques recorded a strong 24% increase in comp store sales during the fourth quarter of fiscal 2000.

strategies • Product development efforts will concentrate on introducing and expanding collections of well designed products at more widely accessible price points. • In fiscal 2001, a strategic initiative to build our direct mail business will concentrate on developing the Movado brand as a gift resource and expanding our gift/tabletop business via a major gift catalog in the fall. • The Boutiques will also create and mail brochures with focused product selections to drive sales around special gift-giving occasions such as Valentine's Day and Mother's Day. • Special bridal market media and creative will be added to the Boutique schedule to build awareness for Movado's exclusive diamond engagement and wedding ring collection among this consumer target group. • A Movado e-commerce site will be introduced in the fall @ movado.com. This increased exposure to the consumer will help build brand awareness and long term revenue opportunities. • A key initiative in the Company's strategy for future growth, the Movado Boutique "lifestyle concept" – design sensibility that spans multiple product categories from personal accessories to home decor – will be expanded through several new store openings planned for early fiscal 2002.

Movado store in Short Hills, New Jersey


CONCORD
Time is a luxury.


CONCORD

CONCORD

Time is a luxury.

highlights • Concord enhanced its reputation for creating timepieces of sophisticated and fashionable elegance in 1999 with the successful debut of its 18-karat gold Crystale and La Scala Round collections. • A complete re-imaging of the Concord brand was rolled out in the United States and targeted international markets, anchored by a compelling new advertising campaign targeting Concord consumers who have earned the right to "be late" and savor life's special moments. • Benefitting from strong local management and aggressive marketing efforts, the Concord brand achieved strong growth in Asian and Middle-Eastern markets, despite difficult economic conditions.

strategies • Concord will continue to demonstrate contemporary design leadership with the introduction of its accessibly priced La Scala collection in stainless steel. • Concord will expand its "be late" lifestyle campaign by extending this new luxury theme to additional marketing elements including in-store displays. • Concord will continue to focus its international development efforts in selected markets believed to have strong long-term growth potential, including the Middle East, Japan, Hong Kong and Switzerland.

La Scala in stainless steel with diamonds


be late
CONCORD®
Time is a luxury.
THE CONCORD SPORTIVO™ CHRONOGRAPH. IN STAINLESS STEEL. CALL 1 888 812 6626 FOR MORE INFORMATION.


U N W


ESQ
SWISS WATCHES
I N D


ESQ
SWISS
SWISS ESQUIRE QUARTZ

ESQ

SWISS WATCHES

highlights • ESQ wholesale sales increased at a double-digit rate during fiscal 2000; and retail sell through was strong, particularly during the key holiday season. • All three segments of the ESQ portfolio were strengthened by powerful new product introductions: The rugged 850 SL in "Sport", the elegant Venture in "Sport Luxury", and the modern, square Fresco in "Fashion" were exceptionally well received in the market by retailers and consumers alike. • ESQ launched a dynamic lifestyle advertising campaign targeting young professionals who relish their freedom and the time to "unwind".

strategies • ESQ will continue its focus on developing product that is consistent with its brand positioning statement, and in sync with popular trends in fashionable watches. • To reinforce brand image at retail, ESQ will introduce new packaging and in-store watch displays that complement and support its product and marketing efforts. • The ESQ brand will continue to evolve and expand its exciting "unwind" campaign with the addition of one new four-color magazine ad this spring and two new ads in the fall.

Sienna, from the ESQ fashion collection


ESQ
SWISS WATCHES
UNWIND


ESQ
SWISS WATCHES


COACH
SWISS MADE

TIME BY COACH

TIME BY COACH

highlights • Coach Watch enjoyed outstanding retail sales growth in all retail channels in the United States and its international markets. • In its second year, Coach Watch continued to develop into an important watch brand with powerful advertising featuring Candice Bergen. • The evolution of Coach leathergoods from a classic to more modern American brand increased the acceptance and market for Coach Watches. • Second-year new product launches including Mercer and Lexington Bracelet contributed significantly to wholesale and retail results.

strategies • Coach Watch will continue to focus on its market and channel distribution strength to develop strong retail presence in all key markets. • Advertising, featuring Julianne Moore in spring 2000, will continue to express a leadership position building on the Coach brand equity. • Coach Watch will maintain its focus on creating modern, sophisticated, stylish watches that represent the Coach brand.

Actress Julianne Moore for Coach Watches

TOMMY HILFIGER
watches

highlights • In June 1999, Movado Group signed an exclusive license agreement with Tommy Hilfiger Licensing, Inc. to create a complete collection of men's and women's watches to be marketed under the Tommy Hilfiger brand name. • The inclusion of this prestigious label in Movado Group's portfolio of brands marks the Company's first foray into the rapidly growing "fashion" category within the mass market segment of the watch industry.

strategies • Tommy Hilfiger Watches will be launched in Spring 2001 throughout the United States, Canada and Caribbean Islands, and in duty free shops worldwide. • Designed to complement the various lifestyles of the Tommy Hilfiger brand's core consumer, the collection will include American classic, sport, casual and dress watches priced between $50 and $150 at retail. • Significant advertising, public relations and visual retail planning resources will be dedicated to support Tommy Hilfiger Watches. All executions will be developed in conjunction with Tommy Hilfiger Licensing, Inc. to ensure a consistent marketing platform across all Tommy Hilfiger brand products.

Consolidated Financial Statements

Forward Looking Statements

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

General

Wholesale Sales. Among the more significant factors that influence annual sales are general economic conditions in the Company's domestic and international markets, new product introductions, the level and effectiveness of advertising and marketing expenditures, and product pricing decisions. Fiscal 2000 sales were also impacted by the sale of the Piaget and Corum businesses.

Approximately 20% of the Company's total sales are from international markets and therefore reported sales are affected by foreign exchange rates. Significant portions of the Company's international sales are billed in Swiss francs and translated to U.S. dollars at average exchange rates for financial reporting purposes.

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

During fiscal 2000, the Company completed the sale of both the Piaget and Corum distribution businesses and substantially all the assets associated with these businesses. Prior to the sale, the Company had been the exclusive distributor of these brands in North America. The Company completed the sale of its Piaget business to VLG in February 1999 and sold its Corum business to Corum Switzerland in January 2000. The disposition of these brands negatively impacted sales in fiscal 2000.

Retail Sales. The Company's retail operations consist of 22 outlet stores located throughout the U.S. and five full-priced Movado Boutiques. The Company does not have any overseas retail operations.

The significant factors that influence annual sales volumes in the Company's retail operations are similar to those that influence domestic wholesale operations. In addition, many of the Company's outlet stores are located near vacation destinations, and therefore, the seasonality of these stores is driven by the peak tourist season associated with these locations.

Gross Margins. The Company's overall gross margins are primarily affected by four major factors: sales mix, product pricing strategy, manufacturing costs and the U.S. dollar/Swiss franc exchange rate.

Gross margins vary among the brands included in the Company's portfolio and also among watch models within each brand. Luxury and premium retail price point models generally earn lower gross margins than more popular moderate price models. Gross margins in the Company's outlet business are lower than those of the wholesale business since the outlets primarily sell seconds and discontinued models that generally command lower retail prices. Gross margins in the full priced Movado Boutiques exceed those of the wholesale business since the Company earns full channel margins from manufacture to point of sale in this business.

All of the Company's brands compete with a number of other brands on the basis of not only styling but also wholesale and retail price. The Company's ability to improve margins through price increases is, therefore, to some extent, constrained by competitors' actions. In addition, the Company's wholesale operation periodically engages in liquidation sales of discontinued models at reduced prices. The level of these sales in a particular period can also have a significant impact on the Company's gross margins.

Manufacturing costs of the Company's brands consist primarily of component costs, internal and subcontractor assembly costs and unit overhead costs associated with the Company's supply chain operations in the U.S., Switzerland and the Far East. The Company seeks to control and reduce component and subcontractor labor costs through a combination of negotiations with existing suppliers and alternative sourcing. The Company's supply chain operations consist of logistics and minor assembly in the U.S. and Switzerland and a product sourcing operation in the Far East. The Company has historically controlled the level of overhead costs and maintained flexibility in its cost structure by outsourcing a significant portion of its component and assembly requirements and expects to extend this strategy over the near term.

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

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

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

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

General and administrative expenses consist primarily of salaries, employee benefit plan costs, office rent, management information systems costs and various other general corporate expenses.

Operating expenses over the last three fiscal years reflect the effect of the implementation of the Company's growth strategy. The more significant expenses associated with this strategy included: advertising and marketing expenses designed to increase market share for all of the Company's watch brands, both domestically and internationally; additions to the Company's sales force; salaries and rents associated with additional outlet stores and the Movado Boutiques; the addition of staff to support distribution, inventory management and customer service requirements coincident with growth of the Company's business; and general and administrative expenses, such as employee benefits and the development of the Company's information systems infrastructure.

Results of Operations for the Fiscal Years Ended January 31, 2000, 1999 and 1998

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

(in thousands)	**Fiscal 2000**	Fiscal 1999	Fiscal 1998
Concord, Movado, Coach and ESQ:			
Domestic	**$200,480**	$180,909	$153,835
International	**56,185**	50,940	40,028
Piaget and Corum	**(726)**	13,934	17,045
Other	**39,128**	32,053	26,097
Net Sales	**$295,067**	$277,836	$237,005

Total net sales increased 6.2% for the year ended January 31, 2000. Sales from ongoing operations, excluding the disposed Piaget and Corum distribution businesses, increased 13.4% to $295.8 million from $260.9 million in the prior year. Domestic sales of the Company's core Concord, Movado, ESQ and Coach brands increased 10.8%. All of the Company's core brands experienced high single or low double-digit percentage growth rates in the domestic market. International sales of the Company's core brands increased 10.3% led by the continuing international rollout of the Coach watch brand in the Far East, which resulted in a near doubling of Coach watch international sales in fiscal 2000. International sales of the Concord brand also increased approximately 10%.

Other net sales, which includes the Company's outlet stores, Movado Boutiques and after sales service business, increased 22% over the prior year. This growth was primarily attributable to double digit comparable store sales gains in both the outlets and the Boutiques and new store openings in both of these retail venues, offset by a decrease in after sales service revenues as a result of the sale of the Piaget business.

Gross Margins. The gross margin for fiscal 2000 was 57.1% as compared to 59.8% for fiscal 1999. The fiscal 2000 gross margin included a one-time charge of $5.0 million to write down non-core component inventories. The Company's non-core component inventory is the result of stockpiling component parts necessary to support after sales service of core product, which is subsequently discontinued due to new product model introductions. During fiscal 1999, the Company initiated a project to convert such of its non-core component inventory that is no longer necessary for after sales service into finished watches for sale through liquidation channels or the Company's outlet division. While this program was successful in converting a portion of such total non-core component inventory into saleable finished watches in fiscal 2000 and the Company expects to continue this program, there will inevitably be some residual non-core component inventory that will not be cost effective to attempt to assemble into finished product.

Fiscal 2000 gross margins also reflect a $2.3 million negative adjustment to inventory following physical counts conducted at year-end. The Company believes the inventory adjustment was caused by issues associated with the existing distribution environment and implementation of new information systems in the U.S. in fiscal 2000. The Company's U.S. sales have increased significantly in recent years resulting in a corresponding increase in unit volumes processed by and warehoused in the existing U.S. distribution facility which operates in converted office space located in Lyndhurst, NJ. Managing the unit volume growth was also complicated by the implementation in 1999 of new information systems requiring distribution personnel to adjust to new technology, procedures and practices in conducting product shipment and warehouse operations. The Company has transitioned to the new information system environment and will address the physical space constraints issue by relocating its distribution operations to more traditional warehouse space (see Operating Expenses below). The new larger space will permit the Company to employ more effective and efficient product handling and storage practices.

Excluding the charges described above, gross margins for fiscal 2000 were 59.5% of sales compared to 59.8% in fiscal 1999. This decrease is primarily attributable to fourth quarter sales mix, which included a higher level of lower margin liquidation sales and outlet sales than the previous year. This was due, in part, to underproduction of higher margin core range products and substitution of lower margin non-core items to meet demand for product. Higher levels of liquidation and outlet sales also reflected the Company's commitment to reduce working capital employed in the business.

The Company's gross margin increased from 58.9% in fiscal 1998 to 59.8% in fiscal 1999, principally as a result of sales mix, particularly an increase in the proportion of Concord, Movado and ESQ sales to net sales. The Company's gross margin also benefited by increases in the U.S. dollar against the Swiss franc.

Operating Expenses. Operating expenses for fiscal 2000 were $152.6 million or 51.7% of net sales as compared to $133.4 million or 48.0% of net sales in fiscal 1999. Fiscal 2000 operating expenses include a $1.0 million fourth quarter nonrecurring charge associated with the planned relocation of the Company's U.S. distribution operations. This charge includes a write-off of assets that are not transferable to the new facility as well as lease termination costs associated with exiting the Company's existing facility.

Excluding this charge, operating expenses were $151.6 million or 51.4% of sales compared to $133.4 million or 48.0% of sales in the prior year. The increase in operating expenses of approximately 14% or $18 million relates to several areas, including (1) advertising and marketing expenses, which increased $8.1 million or 15%; (2) selling expenses, which increased $4.5 million or 12%; (3) distribution costs, which increased $1.3 million or 21%, and (4) general and administrative expenses, which increased $4.3 million or 12%.

The increase in advertising costs related to increased media and cooperative advertising programs with retailers in support of the Company's brands, higher advertising production costs due to the launch of new media campaigns for both the Concord and ESQ brands, increased spending on point of sale support material such as displays and product brochures, and the development of a new advertising and marketing management team.

Selling expenses increased in both the Company's wholesale and retail businesses. Selling expenses in the wholesale business primarily reflect higher levels of sales commissions due to sales increases across the Company's brands. Headcount increases in the Coach and ESQ brands to support growth also resulted in increased compensation and travel expenses. Selling expenses for fiscal 2000 also reflect the first year of amortization of the Company's major trade show exhibition facility constructed for use at the annual Basel International Watch and Jewelry Show.

Increases in selling expenses associated with the Company's retail operations relate primarily to the addition of four new outlets and one Movado Boutique in fiscal 2000 as well as the annualization of costs of stores opened during fiscal 1999.

Distribution expenses are largely variable in nature and these expenses grew proportionately with increases in unit volume shipments.

Increases in general and administrative expenses were primarily in the area of human resources and information systems. The Company experienced increases in employee benefit costs associated with a growing workforce as well as recruiting fees, specifically associated with the hiring of two senior executives in the fourth quarter. Information systems related expenses increased as the Company began amortizing its significant investment in its new U.S. core system effective with the March 1999 implementation date and incurred Year 2000 remediation expenses relative to systems in the Switzerland and its other international subsidiaries. The Company also added information systems support personnel in fiscal 2000.

Interest Expense. Net interest expense in fiscal 2000 was consistent with the previous year amounting to $5.4 million. Gross interest expense increased by $676,000 or 12.4% due primarily to the first full year of interest expense on $25 million of 6.9% Series A Senior Notes which were issued in December 1998. These increases were offset largely by interest income from the investment of the $28.4 million proceeds from the Company's sale of the Piaget business in February 1999.

Net interest expense for fiscal 1999 and 1998 was $5.4 million and consisted primarily of interest on the Company's 6.56% Senior Notes, 6.90% Series A Senior Notes, revolving lines of credit and borrowings against working capital lines.

Income Taxes. The Company's income tax provision amounted to $1.4 million, $6.3 million, and $4.7 million for fiscal 2000, 1999 and 1998, respectively, or 9.4% of pretax income for fiscal 2000 and 23.0% for fiscal 1999 and 1998. The 9.4% effective rate for fiscal 2000 reflects a tax benefit as a result of a current year net operating loss in the Company's U.S. operations. Also, a portion of the Company's consolidated operations are located in non-U.S. jurisdictions, and, therefore, the Company's effective rate differs from U.S. statutory rates. The majority of the Company's non-U.S. operations are located in jurisdictions with statutory rates below U.S. rates. The Company believes that the near term future effective tax rate will increase to the 20% to 28% range reflecting the Company's current expectation that domestic earnings will gradually increase as a percentage of the overall earnings mix. However, there can be no assurance of this result as it is dependent on a number of factors, including the mix of foreign to domestic earnings, local statutory tax rates and the Company's ability to utilize net operating loss carryforwards in certain jurisdictions.

Liquidity and Financial Position

Cash flows from operating activities in fiscal 2000 were $28.3 million compared to a use of cash in operations of $9.1 million in fiscal 1999 and $6.1 million in fiscal 1998. The improvement in operating cash flows in fiscal 2000 resulted from a reduction in working capital, in particular, inventories and accounts receivable. Operating cash flows in fiscal 1999 and 1998 were negative due to increases in both inventory and accounts receivable.

The Company generated net positive cash flows from investing activities in fiscal 2000 of $17.5 million primarily as a result of the sale of its Piaget business to VLG for $28.4 million in cash. This compared to $10.9 million and $9.1 million cash utilized in investing activities in fiscal 1999 and 1998, respectively, primarily for capital expenditures.

Capital expenditures amounted to $10.1 million in fiscal 2000 and related primarily to management information systems projects, the addition of four new outlet stores and one Movado Boutique, and construction of a major tradeshow exhibition facility used annually at the Basel International Watch and Jewelry show. The Company's capital expenditures for fiscal 1999 and fiscal 1998 amounted to $11.7 million and $7.6 million, respectively. Expenditures in fiscal 1999 were primarily related to planned expenditures for the Company's information systems, including retail information systems, expansion of the Company's Movado

Boutiques and further expansion of the Company's network of outlet stores. Expenditures in fiscal 1998 were primarily related to improvements in the Company's management and sales management information systems and costs incurred in connection with the expansion of domestic distribution operations. The Company expects that annual capital expenditures in the near term will approximate the levels experienced in fiscal 2000 and 1999 and will relate primarily to relocating its U.S. distribution operations, various information systems projects and leasehold improvements associated with additional outlet stores.

Cash used in financing activities amounted to $22.1 million in fiscal 2000. This compares to $18.6 million and $21.3 million of cash provided by financing activities in fiscal 1999 and 1998, respectively.

At January 31, 2000 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. The Company repaid $10 million and $5 million in principal amount of these notes in fiscal 2000 and fiscal 1999, respectively. At January 31, 2000, $25 million in principal amount of these notes remained outstanding.

During fiscal 1999, the Company issued $25 million of Series A Senior Notes under a Note Purchase and Private Shelf Agreement dated November 30, 1998. This agreement allows for the issuance for up to two years from the date of the agreement of Senior Promissory Notes in the aggregate principal amount of up to $50 million with maturities up to 12 years from their original date of issuance. The $25 million Series A Senior Notes issued in fiscal 1999 bear interest at 6.90% and mature on October 30, 2010. The Notes are subject to annual repayments of $5.0 million commencing October 31, 2006.

The Company finances its seasonal working capital requirements through borrowings under its bank lines of credit. The Company borrows from its bank group under both a $90 million unsecured revolving line and $31.6 million of annually renewable working capital lines of credit. Borrowings under the revolving line are governed by a three-year agreement among the Company and its bank group. The agreement was originally dated July 23, 1997 and was last amended in March 2000 to revise certain financial covenants and substantially increase the Company's ability to purchase shares under its ongoing share repurchase program. The Company is presently in discussions with its bank group regarding a renewal of the agreement and expects to complete the renewal by May 2000. Due to significant increases in market interest spreads since the July 23, 1997 agreement was completed, the Company expects that interest spreads contained in the new revolving credit agreement will be significantly higher than those contained in the current agreement. The Company is also renegotiating its annually renewable working capital lines coincident with renewal of the revolving credit facility since these lines are with three members of the Company's bank group that are party to the revolving credit facility. At January 31, 2000, the Company had $13.5 million of outstanding borrowings under its bank lines as compared to $7.2 million at January 31, 1999.

Under a series of share repurchase authorizations approved by the Board of Directors, the Company has maintained a discretionary buy-back program throughout fiscal 2000. Current year purchases under the repurchase program amounted to $17.6 million. As of the date of the filing of this report on Form 10-K, the

Company had remaining $10.2 million against an aggregate authorization of $30 million.

During fiscal 1999, the Company repurchased $2.9 million of stock under a 400,000 share program that had been authorized by the Board of Directors in March 1998. This program had been put in place to mitigate the dilutive impact of employee compensation programs.

Cash dividends in fiscal 2000 amounted to $1.2 million compared to $1.0 million in fiscal 1999 and $0.9 million in fiscal 1998.

Cash and cash equivalents at January 31, 2000 amounted to $26.6 million compared to $5.6 million at January 31, 1999. Net debt to total capitalization at January 31, 2000 was 20% as compared to 27% at January 31, 1999.

In summary, the Company made significant progress in fiscal 2000 improving its liquidity by selling underperforming assets (Piaget and Corum) and significantly reducing working capital committed to the business per sales dollar generated, primarily through the success of its inventory reduction programs. The Company plans to continue to focus on improving its cash flows in fiscal 2001.

Recently Issued Accounting Standards

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) in June 1998. SFAS 133 requires all derivatives to be recorded on the balance sheet at fair value and established new accounting practices for hedge instruments. SFAS 133 was originally scheduled for implementation for fiscal years ending after June 15, 1999, however, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 137 which defers the effective date of SFAS 133 for one year. For the Company, SFAS 133 will be effective for the first quarter of fiscal 2002. Management is currently analyzing the effect that SFAS 133 is expected to have on the Company's statement of position and results of operations.

Market Risks

The Company's primary market risk exposure relates to foreign currency exchange risk (see Note 5 to the Consolidated Financial Statements). 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 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 to local currency would have an equal effect on the entities' cost of sales. As of January 31, 2000, the Company's hedging portfolio consisted of various dates ranging through January 29, 2001 with an average forward rate of 1.5063 Swiss francs per dollar. The Company has $147.0 million of option contracts with a maturity date of February 15, 2001. The option contracts have an average strike price of 1.5621 Swiss francs per dollar. As of January 31, 2000, the carrying value of the options amounted to approximately $2.7 million, which represents the unamortized premium of the option and a fair market value of approximately $1.6 million.

In addition, the Company has certain debt obligations with variable interest rates, which are based on LIBOR plus a fixed additional interest rate. The Company does not hedge these interest rate risks. The Company also has certain debt obligations with fixed interest rates. The difference between the market based interest rates at January 31, 2000 and the fixed rates was minimal.

Year 2000

The Company initiated a project in 1997 (the "Project") to improve and standardize data and computer technology and consequentially all obsolete hardware and software either have been replaced with systems that are Year 2000 compliant or, in the case of certain business applications software in Switzerland, Canada and the Far East, have been made Year 2000 compliant pending replacement. As part of the Project, new client/server core business applications software supporting manufacturing, distribution, sales, accounting and after-sales service was implemented in the U.S. in March 1999. The Company expects to complete the implementation of this software in Switzerland during fiscal 2001 and in Canada and the Far East thereafter.

The Company monitored the Year 2000 system status of customers and vendors involved with electronic data interchange ("EDI") with our systems by the use of questionnaires.

As of the date of filing of this Annual Report on Form 10-K, all of the Company's mission-critical systems have been successfully tested for Year 2000 compliance, and the Company has not experienced any significant Year 2000 problems with any of those systems or with the systems of any suppliers or customers with whom the Company is involved in EDI. Although the Company has not experienced any significant Year 2000 problems to date, it plans to continue to monitor the situation closely.

While we cannot be sure that we have been completely successful in our efforts to address the Year 2000 issue or that problems could not still arise that would cause a material adverse effect on our operating results or financial condition, we believe that our most reasonably likely worst-case scenario would relate to problems with the systems of third parties rather that with our internal systems. We are limited in our efforts to address the Year 2000 issue as it relates to third parties, however, and rely solely on the assurances of these third parties as to their Year 2000 preparedness.

Costs associated with systems replacement and modification to become Year 2000 compliant under the contingency plan (outside of the Project) were $0.3 million. The estimated cost of the Project is approximately $12.0 million. The total amount expended on the Project through January 31, 2000 was approximately $10.2 million. This estimate assumes that the Company will not incur significant Year 2000 related costs due to the failure of customers, vendors and other third parties to be Year 2000 compliant.

Consolidated Statements of Income and Comprehensive Income

(in thousands, except per share amounts)	Fiscal Year Ended January 31, 2000	1999	1998
Net sales	**$295,067**	$277,836	$237,005
Costs and expenses:			
Cost of sales	**126,667**	111,766	97,456
Selling, general and administrative	**152,631**	133,395	113,593
	279,298	245,161	211,049
Operating income	**15,769**	32,675	25,956
Net interest expense	**5,372**	5,437	5,383
Gain on disposition of business	**4,752**	-	-
Income before income taxes	**15,149**	27,238	20,573
Provision for income taxes	**1,428**	6,265	4,731
Net income	**$ 13,721**	$ 20,973	$ 15,842
Net income per share - Basic	**$ 1.10**	$ 1.63	$ 1.35
Net income per share - Diluted	**$ 1.06**	$ 1.58	$ 1.29
Comprehensive Income:			
Net Income	**$ 13,721**	$ 20,973	$ 15,842
Other comprehensive income, net of tax:			
Foreign currency translation adjustment	**(10,456)**	(869)	(3,281)
Comprehensive income	**$ 3,265**	$ 20,104	$ 12,561

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets

(in thousands, except share and per share amounts)	January 31, 2000	1999
ASSETS		
Current assets:		
Cash	**$26,615**	$5,626
Trade receivables, net	**103,795**	109,102
Inventories, net	**77,075**	104,027
Assets held for sale	**—**	22,187
Other	**19,341**	21,489
Total current assets	**226,826**	262,431
Plant, property and equipment, net	**27,593**	22,998
Other assets	**12,767**	10,946
	$267,186	$296,375
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Loans payable to banks	**$13,500**	$2,200
Current portion of long-term debt	**5,000**	10,000
Accounts payable	**17,562**	28,999
Accrued liabilities	**26,602**	20,020
Deferred and current taxes payable	**5,432**	10,179
Total current liabilities	**68,096**	71,398
Long-term debt	**45,000**	55,000
Deferred and noncurrent foreign income taxes	**5,105**	5,728
Other liabilities	**1,170**	1,641
Total liabilities	**119,371**	133,767
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; 9,496,529 and 9,419,781 shares issued, respectively	**95**	94
Class A Common Stock, $0.01 par value, 10,000,000 shares authorized; 3,509,733 and 3,530,922 shares issued and outstanding, respectively	**35**	35
Capital in excess of par value	**66,113**	65,332
Retained earnings	**118,615**	106,141
Accumulated other comprehensive income	**(16,462)**	(6,006)
Treasury stock, 920,690 and 159,019 shares at cost, respectively	**(20,581)**	(2,988)
Total shareholders' equity	**147,815**	162,608
Commitments and contingencies (Note 9)	**$267,186**	$296,375

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

(in thousands)	Fiscal Year Ended January 31, 2000	1999	1998
Cash flows from operating activities:			
Net income	**$13,721**	$20,973	$15,842
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	**5,189**	5,380	4,121
Deferred and noncurrent foreign income taxes	**(1,636)**	1,764	483
Provision for losses on accounts receivable	**1,077**	1,304	1,005
Provision for losses on inventory	**7,263**	—	—
Gain on disposition of business	**(4,752)**	—	—
Changes in current assets and liabilities:			
Trade receivables	**2,469**	(24,693)	(18,699)
Inventories	**14,609**	(19,925)	(12,988)
Other current assets	**(6,269)**	(1,265)	(2,565)
Accounts payable	**(7,004)**	4,108	263
Accrued liabilities	**4,464**	3,352	3,841
Deferred and current taxes payable	**(2,532)**	229	3,481
Decrease (increase) in other noncurrent assets	**2,305**	(314)	(592)
Decrease in other noncurrent liabilities	**(629)**	(29)	(307)
Net cash provided by (used in) operating activities	**28,275**	(9,116)	(6,115)
Cash flows from investing activities:			
Capital expenditures	**(10,125)**	(11,707)	(7,638)
Proceeds from disposition of business	**28,409**	—	—
Goodwill, trademarks and other intangibles	**(755)**	(1,835)	(1,421)
Sale of subsidiary	**—**	2,646	—
Net cash provided by (used in) investing activities	**17,529**	(10,896)	(9,059)
Cash flows from financing activities:			
Repayment of Senior Notes	**(10,000)**	(5,000)	—
Proceeds from issuance of Common Stock, net of underwriting discounts and offering expenses	**—**	—	29,609
Proceeds from issuance of Series A Senior Notes	**—**	25,000	—
Net proceeds from (payment of) current bank borrowings	**6,300**	2,200	(7,570)
Principal payments under capital leases	**(69)**	(387)	(275)
Stock options exercised	**499**	627	431
Dividends paid	**(1,247)**	(1,026)	(939)
Purchase of treasury stock	**(17,593)**	(2,860)	—
Net cash (used in) provided by financing activities	**(22,110)**	18,554	21,256
Effect of exchange rate changes on cash	**(2,705)**	(3,790)	(93)
Net increase (decrease) in cash	**20,989**	(5,248)	5,989
Cash at beginning of year	**5,626**	10,874	4,885
Cash at end of year	**$26,615**	$ 5,626	$10,874

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Shareholders' Equity

(in thousands, except per share amounts)	Preferred Stock	Common Stock	Class A Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock
Balance, January 31, 1997	$—	$65	$48	$34,450	$ 71,291	$ (1,856)	$ (128)
Net income					15,842		
Dividends ($0.08 per share)					(939)		
Stock options exercised				431			
Proceeds from issuance of common stock, net of underwriting discounts and offering expenses		15		29,594			
Foreign currency translation adjustment						(3,281)	
Conversion of Class A Common Stock to Common Stock		13	(12)				
Balance, January 31, 1998	—	93	36	64,475	86,194	(5,137)	(128)
Net income					20,973		
Dividends ($0.08 per share)					(1,026)		
Stock options exercised, net of tax benefit				857			
Common stock repurchased							(2,860)
Foreign currency translation adjustment						(869)	
Conversion of Class A Common Stock to Common Stock		1	(1)				
Balance, January 31, 1999	—	94	35	65,332	106,141	(6,006)	(2,988)
Net income					13,721		
Dividends ($0.10 per share)					(1,247)		
Stock options exercised, net of tax benefit				781			
Common stock repurchased							(17,593)
Foreign currency translation adjustment						(10,456)	
Conversion of Class A Common Stock to Common Stock		1					
Balance, January 31, 2000	**$—**	**$95**	**$35**	**$66,113**	**$118,615**	**$(16,462)**	**$(20,581)**

See Notes to Consolidated Financial Statements

Note 1. Significant Accounting Policies

Organization and Business

Movado Group, Inc. (the "Company") is a designer, manufacturer and distributor of quality watches with prominent brands in almost every price category comprising the watch industry. In fiscal 2000, the Company marketed five distinctive brands of watches: Movado, Concord, ESQ, Coach and Corum, which compete in most segments of the watch market.

The Company designs and manufactures Concord and Movado watches primarily through its subsidiaries in Switzerland, as well as in the United States, for sale throughout the world. ESQ watches are manufactured to the Company's specifications using Swiss movements by independent contractors located in the Far East. Coach watches are assembled in Switzerland by independent suppliers. The Company distributes its watch brands through its United States operations as well as through sales subsidiaries in Canada, Hong Kong, Singapore and Switzerland and through a number of independent distributors located in various countries throughout the world.

In addition to its sales to trade customers and independent distributors, the Company sells Movado watches, Movado jewelry, tabletop accessories and other product line extensions within the Movado brand directly to consumers in its Company-operated Movado Boutiques. The Company also operates a number of Movado outlet stores throughout the United States, through which the Company sells discontinued and sample merchandise.

Principles of consolidation

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

Translation of foreign currency financial statements and foreign currency transactions

The financial statements of the Company's international subsidiaries have been translated into United States dollars by translating balance sheet accounts at year-end exchange rates and statement of operations accounts at average exchange rates for the year. Foreign currency transaction gains and losses are charged or credited to income as incurred. In fiscal 2000, 1999 and 1998 the Company recorded foreign currency transaction gains of $0.8 million, $3.6 million and $5.1 million, respectively. Foreign currency translation gains and losses are reflected in the equity section of the Company's consolidated balance sheet in accumulated other comprehensive income.

Sales and trade receivables

The Company's trade customers include department stores, jewelry store chains and independent jewelers. Movado and Concord watches are also marketed through a network of independent distributors. Sales are recognized upon shipment of products to trade customers. Accounts receivable are stated net of allowances for doubtful accounts of $3,604,000 and $2,567,000 at January 31, 2000 and 1999, respectively. One individual trade customer accounted for 13%, 10% and 12% of the Company's consolidated net sales in fiscal 2000, 1999 and 1998, respectively. At January 31, 2000 and 1999, one trade customer accounted for 18% and 15% of consolidated trade receivables, respectively.

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

Inventories

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

Plant, property and equipment

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

	2000	1999
Furniture and equipment	**$40,820**	$34,586
Leasehold improvements	**11,026**	11,096
	51,846	45,682
Less: accumulated depreciation	**(24,253)**	(22,684)
	$27,593	$22,998

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

Goodwill and other intangibles

Other intangible assets consist primarily of trademarks and are recorded at cost. Trademarks are generally amortized over ten years. Goodwill is amortized over 40 years. The Company continually reviews goodwill and other intangible assets to evaluate whether events or changes have occurred that would suggest an impairment of carrying value. An impairment would be recognized when expected undiscounted future operating cash flows are lower than the carrying value. At January 31, 2000 and 1999, goodwill and other intangible assets at cost were $4,358,000 and $5,448,000, respectively, and related accumulated amortization of goodwill and other intangibles was $1,068,000 and $2,322,000, respectively.

Advertising

The Company expenses the production costs of an advertising campaign at the commencement date of the advertising campaign. Advertising expenses for fiscal 2000, 1999 and 1998, amounted to $61.8 million, $53.8 million and $49.6 million, respectively.

Income taxes

The Company and its domestic subsidiaries file a consolidated federal income tax return. Foreign income taxes have been provided based on the applicable tax rates in each of the foreign countries in which the Company operates. Certain Swiss income taxes are payable over several years; the portion of these taxes not payable within one year is classified as noncurrent. Noncurrent foreign income taxes included in the consolidated balance sheets at January 31, 2000 and 1999 were $1,905,000 and $2,098,000, respectively.

Earnings per share

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

The weighted average number of shares outstanding for basic earnings per share were 12,527,000, 12,842,000, and 11,736,000 for fiscal 2000, 1999 and 1998, respectively. For diluted earnings per share, these amounts were increased by 363,000, 414,000 and 500,000 in fiscal 2000, 1999 and 1998, respectively, due to potentially dilutive common stock equivalents issuable under the Company's stock option plans. There were no anti-dilutive common stock equivalents in the years presented.

Stock-based compensation

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

Use of estimates in the preparation of financial statements

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

Stockholders' Equity

Under a series of share repurchase authorizations approved by the Board of Directors, the Company has maintained a discretionary buy-back program throughout fiscal 2000. Current year purchases under the repurchase program amounted to $17.6 million. As of the date of the filing of this report on Form 10-K, the Company had remaining $10.2 million against an aggregate authorization of $30 million.

During fiscal 1999, the Company repurchased $2.9 million of stock under a 400,000 share repurchase program that had been authorized by the Board of Directors in March 1998. This program had been put in place to mitigate the dilutive impact of employee compensation programs.

New Accounting Standards

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) in June 1998. SFAS 133 requires all derivatives to be recorded on the balance sheet at fair value and established new accounting practices for hedge instruments. SFAS 133 was originally scheduled for implementation for fiscal years ending after June 15, 2000, however, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 137 which defers the effective date of SFAS 133 for one year. For the Company, SFAS 133 will be effective for the first quarter of fiscal 2002. Management is currently analyzing the effect that SFAS 133 is expected to have on the Company's statement of position and results of operations.

Reclassification

Certain prior year amounts have been reclassified to conform to the fiscal 2000 presentation.

Note 2. Inventories

Inventories consist of the following *(in thousands)*:

	January 31,	
	2000	1999
Finished goods	**$50,565**	$ 64,438
Work-in-process and component parts	**26,510**	39,589
	$77,075	$104,027

Note 3. Bank Credit Arrangements and Lines of Credit

The Company's revolving credit and working capital lines with its domestic bank groups were amended in July 1997 to provide for a three-year $90.0 million unsecured revolving line of credit, pursuant to the Restated Bank Credit Agreement, and to provide for $31.6 million and $28.3 million of uncommitted working capital lines of credit at January 31, 2000 and 1999, respectively. The Restated Bank Credit Agreement provides for various rate options including the federal funds rate plus a fixed rate, the prime rate or a fixed rate plus the LIBOR rate. The Company pays a facility fee on the unused portion of the credit facility. The agreement also contains certain financial covenants based on fixed coverage ratios, leverage ratios and restrictions which limit the Company on the sale, transfer or distribution of corporate assets, including dividends and limit the amount of debt outstanding. The Company amended the agreement in March 2000 to revise certain financial covenants and substantially increase the Company's ability to repurchase stock. The Company was in compliance with these restrictions and covenants at January 31, 2000. At January 31, 1999, the Company included $5.0 million in long-term debt. The domestic unused line of credit was $108.1 million and $111.1 million at January 31, 2000 and January 31, 1999, respectively.

The Company's Swiss subsidiaries maintain secured and unsecured lines of credit with Swiss banks, a majority of which have an unspecified duration. Available credit under these lines totaled 10.0 million Swiss francs and 8.0 million Swiss francs, with dollar equivalents of approximately $6.0 million and $5.6 million at January 31, 2000 and 1999, respectively, of which a maximum of $5 million can be drawn. One subsidiary's credit line contains a covenant requiring maintenance of retained earnings above a specified minimum level. This subsidiary was in compliance with this covenant at January 31, 2000 and 1999. There are no other restrictions on transfers in the form of dividends, loans or advances to the Company by its foreign subsidiaries.

Outstanding borrowings against the Company's aggregate demand lines of credit were $13.5 million at January 31, 2000 and $7.2 million at January 31, 1999. Aggregate maximum and average monthly outstanding borrowings against the Company's lines of credit and related weighted average interest rates during fiscal 2000, 1999 and 1998 were as follows *(in thousands):*

	Fiscal Year Ended January 31,		
	2000	1999	1998
Maximum borrowings	**$61,900**	$70,900	$72,560
Average monthly borrowings	**$40,290**	$41,229	$41,564
Weighted average interest rate	**6.3%**	6.9%	6.4%

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

Note 4. Long-Term Debt

The components of long-term debt as of January 31 were as follows *(in thousands)*:

	2000	1999
Senior Notes	**$25,000**	$35,000
Series A Senior Notes	**25,000**	25,000
Revolving Credit Line	**—**	5,000
	$50,000	$65,000
Less current portion	**5,000**	10,000
Long-term debt	**$45,000**	$55,000

Senior Notes due January 31, 2005 (the "Senior Notes") were issued in a private placement completed in fiscal 1994 and bear interest at 6.56% per annum, payable semiannually on July 31 and January 31, and are subject to annual payments of $5.0 million commencing January 31, 1998 (or next business day). Accordingly, such amounts have been classified as a current liability in fiscal 2000 and 1999. The Company has the option to prepay amounts due to holders of the Senior Notes at 100% of the principal plus a "make-whole" premium and accrued interest.

The Series A Senior Notes ("Series A Senior Notes") were issued on December 1, 1998 under a Note Purchase and Private Shelf Agreement and bear interest at 6.90% per annum. Interest is payable semiannually on April 30 and October 30. These notes mature on October 30, 2010 and are subject to annual payments of $5.0 million commencing on October 31, 2006. The Note Purchase and Private Shelf Agreement also provides for the issuance, up to two years after the date thereof, of senior promissory notes in the aggregate principal amount of up to an additional $25 million with maturities up to 12 years from their original date of issuance.

The agreements governing the Senior Notes and Series A Senior Notes contain certain restrictions and covenants which generally require the maintenance of a minimum net worth, limit the amount of additional secured debt the Company can incur and limit the sale, transfer or distribution of corporate assets including dividends. The Company was in compliance with these restrictions and covenants at January 31, 2000.

Included in long-term debt at January 31, 1999 was $5.0 million related to the Company's revolving credit agreement as described in Note 3.

Note 5. Foreign Currency Management

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

The Company hedges against foreign currency exposure using only forward exchange contracts, purchased foreign currency options and open market purchases to cover identifiable inventory purchase commitments and, occasionally, equity invested in its international subsidiaries.

The Company has established strict counterparty credit guidelines and only enters into foreign currency transactions with financial institutions of investment grade or better. To minimize the concentration of credit risk, the Company enters into hedging transactions with each of these financial institutions. As a result, the Company considers the risk of counterparty default to be minimal.

The following table presents the aggregate contract amounts and fair values, based on dealer quoted prices, of the Company's financial instruments outstanding at January 31, 2000 and 1999. Foreign currency forward contracts included below mature within one year. Currency option contracts at January 31, 2000 generally mature after one year. All financial instruments included below were held for hedging purposes only. Contract amounts (in thousands) consist primarily of U.S. dollar — Swiss franc contracts.

	As of January 31,			
	2000		1999	
	Contract Amounts	Fair Values	Contract Amounts	Fair Values
Foreign Currency Forward Contracts	**$47,287**	**$42,732**	$11,399	$11,511
Purchased Options	**$94,105**	**$ 1,638**	$38,625	$ 2,829

The contract amounts of these foreign currency forward contracts and purchased options do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of the exposure of the Company through its use of these financial instruments. The amounts exchanged are calculated on the basis of the contract amounts and the other terms of the financial instruments, which relate to exchange rates. As of January 31, 2000 and 1999, the (payable from) receivable to banks recorded in current assets associated with closed contract positions was ($1,795,000) and $1,547,000, respectively.

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

Gains and losses from and premiums paid for forward or option transactions that hedge inventory purchase commitments are included in the carrying cost of inventory and are recognized in cost of sales upon sale of the inventory. Net deferred charges from hedging amounted to $2.7 million and $3.1 million at January

31, 2000 and 1999, respectively. These amounts were included in other current assets on the accompanying balance sheets.

Note 6. Fair Value of Other Financial Instruments

The fair value of the Company's 6.56% Senior Notes and 6.9% Series A Senior Notes approximate 96% and 90% of the carrying value of the notes, respectively, as of January 31, 2000. The fair value was calculated based upon the present value of future cash flows discounted at estimated borrowing rates for similar debt instruments or upon estimated prices based on current yields for debt issues of similar quality and terms.

Note 7. Income Taxes

The provision for income taxes for the fiscal years ended January 31, 2000, 1999 and 1998 consists of the following components *(in thousands):*

	2000	1999	1998
Current:			
U.S. Federal	**$ —**	$1,500	$ 725
U.S. State and Local	**11**	444	192
Non-U.S.	**1,043**	1,888	1,542
	1,054	3,832	2,459
Noncurrent:			
U.S. Federal	**—**	—	—
U.S. State and Local	**—**	—	—
Non-U.S.	**1,785**	1,924	1,680
	1,785	1,924	1,680
Deferred:			
U.S. Federal	**(1,518)**	(750)	—
U.S. State and Local	**—**	—	—
Non-U.S.	**107**	1,259	592
	(1,411)	509	592
Provision for income taxes	**$1,428**	$6,265	$4,731

Deferred income taxes reflect the tax effect of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. Deferred income taxes have been classified as current or noncurrent on the consolidated balance sheets based on the underlying temporary differences and the expected due dates of taxes payable upon reversal. Significant components of the Company's deferred income tax assets and liabilities for the fiscal year ended January 31, 2000 and 1999 consist of the following (in thousands):

	2000 Deferred Tax		1999 Deferred Tax	
	Assets	Liabilities	Assets	Liabilities
Operating loss carryforwards	**$2,706**	**$ —**	$2,400	$ —
Rent accrual	**291**	**—**	417	—
Inventory reserve	**894**	**5,340**	1,038	6,218
Receivable allowance	**1,054**	**1,278**	816	1,370
Depreciation/amortization	**1,089**	**—**	1,191	—
Other	**1,355**	**—**	948	22
	7,389	**6,618**	6,810	7,610
Valuation allowance	**(1,439)**	**—**	(2,660)	—
Total	**$5,950**	**$6,618**	$4,150	$7,610

As of January 31, 2000, the Company had domestic and foreign net operating loss carryforwards of approximately $3.5 million and $3.9 million, respectively, which are available to offset taxable income in future years. The domestic losses begin to expire in fiscal 2020. As of January 31, 2000, the Company maintained a valuation allowance with respect to the tax benefit of foreign net operating loss carryforwards and other tax assets. Since the Company's foreign deferred tax assets relate primarily to its former sales office in Germany, which is currently operated by an independent distributor, the Company's assessment is that a portion of the foreign deferred tax assets will not likely be utilized in the foreseeable future. Management is continuing to evaluate the appropriate level of allowance based on future operating results and changes in circumstances.

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

	Fiscal Year Ended January 31,		
	2000	1999	1998
Provision for income taxes at the U.S. statutory rate	**$5,311**	$9,533	$7,200
Realization of capital and operating loss carryforwards	**—**	—	(88)
Lower effective foreign income tax rate	**(3,362)**	(3,685)	(2,582)
Change in valuation allowance	**(1,221)**	—	—
Tax provided on repatriated earnings of foreign subsidiaries	**238**	252	262
State and local taxes, net of federal benefit	**8**	134	127
Other	**454**	31	(188)
	$1,428	$6,265	$4,731

In fiscal 2000 the Company recognized a tax benefit of $1,221 from realization of certain foreign net operating loss carryforwards.

No provision has been made for taxes on foreign subsidiaries' undistributed earnings of approximately $121 million at January 31, 2000, as those earnings are considered to be reinvested for an indefinite period.

Note 8. Other Assets

In fiscal 1996, the Company entered into an agreement with a trust which owns an insurance policy issued on the lives of the Company's Chairman and Chief Executive Officer and his spouse. Under that agreement, the trust has assigned the insurance policy to the Company as collateral to secure repayment by the trust of interest-free loans to be made by the Company in amounts sufficient for the trust to pay the premiums on said insurance policy (approximately $740,000 per annum). Under the agreement, the trust will repay the loans from the proceeds of the policy. The Company had loaned approximately $3.1 million and $2.4 million under this agreement at January 31, 2000 and 1999, respectively.

Note 9. Leases, Commitments and Contingencies

Rent expense for equipment and distribution, factory and office facilities under operating leases was approximately $6.6 million, $5.5 million and $4.7 million in fiscal 2000, 1999 and 1998, respectively. Minimum annual rentals at January 31, 2000 under noncancelable operating leases which do not include escalations that will be based on increases in real estate taxes and operating costs are as follows:

	Year ending January 31, (In thousands):
2001	$ 6,264
2002	5,632
2003	3,383
2004	2,485
2005	2,351
2006 and thereafter	4,172
	$24,287

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

Note 10. Employee Benefit Plans

The Company maintains an Employee Savings Plan under Section 401(k) of the Internal Revenue Code. Company contributions and expenses of administering the Employee Savings Plan amounted to $556,000, $430,000 and $143,000 in fiscal 2000, 1999 and 1998, respectively.

Effective June 1, 1995, the Company adopted a defined contribution supplemental executive retirement plan ("SERP"). The SERP provides eligible executives with supplemental pension benefits in addition to amounts received under the Company's other retirement plan. The Company makes a matching contribution which vests equally over five years. During fiscal 2000, 1999 and 1998, the Company recorded an expense related to the SERP of approximately $640,000, $338,000 and $190,000, respectively.

During fiscal 1999, the Company adopted a Stock Bonus Plan for all employees not in the SERP. Under the terms of this stock bonus plan, the Company contributes a discretionary amount to the trust established under the plan. Each plan participant vests after five years in 100% of their respective pro-rata portion of such contribution. For fiscal 2000 and 1999 the Company recorded an expense of $159,000 and $209,000, respectively, related to this plan.

On September 23, 1994, the Company entered into a Death and Disability Benefit Plan agreement with the Company's Chairman and Chief Executive Officer. Under the terms of the agreement, in the event of the Chairman's death or disability, the Company is required to make an annual benefit payment of approximately

$300,000 to his spouse for the lesser of ten years or her remaining lifetime. Neither the agreement nor the benefits payable thereunder are assignable and no benefits are payable to the estates or heirs of the Chairman or his spouse. Results of operations include an actuarially determined charge related to this plan of approximately $110,000, $101,000 and $92,000 for fiscal 2000, 1999 and 1998, respectively.

Effective concurrently with the consummation of the Company's public offering in the fourth quarter of fiscal 1994, the Board of Directors and the shareholders of the Company approved the adoption of the Movado Group, Inc. 1993 Employee Stock Option Plan (the "Employee Stock Option Plan") for the benefit of certain officers, directors and key employees of the Company. The Employee Stock Option Plan was amended in fiscal 1997 and restated as the Movado Group, Inc. 1996 Stock Incentive Plan (the "Plan"). Under the Plan, the Compensation Committee of the Board of Directors, which is comprised of the Company's four outside directors, has the authority to grant incentive stock options and nonqualified stock options, to purchase, as well as stock appreciation rights and stock awards, up to 2,000,000 shares of Common Stock. Options granted to participants under the Plan become exercisable in equal installments on the first through fifth anniversaries of the date of grant and remain exercisable until the tenth anniversary of the date of grant. The option price may not be less than the fair market value of the stock at the time the options are granted.

Transactions in stock options under the Plan since fiscal 1997 are summarized as follows:

	Outstanding Options	Weighted Average Exercise Price
January 31, 1997	955,875	$ 9.02
Options granted	227,964	13.49
Options exercised	(51,250)	8.43
Options forfeited	(6,189)	9.69
January 31, 1998	1,126,400	9.91
Options granted	282,749	25.53
Options exercised	(63,250)	9.02
Options forfeited	(62,289)	13.39
January 31, 1999	1,283,610	13.23
Options granted	436,550	21.56
Options exercised	(54,266)	9.21
Options forfeited	(109,477)	16.51
January 31, 2000	**1,556,417**	**$15.65**

Options exercisable at January 31, 2000, 1999 and 1998 were 701,814, 538,216 and 373,684, respectively.

The weighted-average fair value of each option grant estimated on the date of grant using the Black-Scholes option-pricing model is $11.18, $13.34 and $6.53 per share in fiscal 2000, 1999 and 1998, respectively. The following weighted-average assumptions were used for grants in 2000, 1999 and 1998: dividend yield of 0.45% for fiscal 2000, 0.3% for fiscal 1999 and 0.4% for fiscal 1998; expected volatility of 40% for fiscal 2000, 45% for fiscal 1999 and 38% for fiscal 1998, risk-free interest rates of 6.75% for fiscal 2000, 4.7% for fiscal 1999 and 5.6% for fiscal 1998, and expected lives of seven years for fiscal 2000, 1999 and 1998.

The Company applies APB Opinion 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for the Plan. Had compensation cost for the Company's fiscal 2000, 1999 and 1998 grants for stock-based compensation plans been determined based on the fair value at the grant dates and recognized ratably over the vesting period, the Company's net income and net income per share for fiscal 2000, 1999 and 1998 would approximate the pro forma amounts below *(in thousands except per share data):*

	2000		1999		1998	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net Income	**$13,721**	**$12,216**	$20,973	$19,856	$15,842	$15,306
Net Income per share-Basic	**$ 1.10**	**$ 0.98**	$ 1.63	$ 1.55	$ 1.35	$ 1.30
Net Income per share-Diluted	**$ 1.06**	**$ 0.95**	$ 1.58	$ 1.50	$ 1.29	$ 1.25

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

The following table summarizes outstanding and exercisable stock options as of January 31, 2000:

Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$5.00-$9.99	641,734	5.2	$ 8.48	524,730	$ 8.17
$10.00-$14.99	215,133	7.0	$13.16	106,374	$13.16
$15.00-$19.99	34,000	8.4	$16.08	8,300	$16.12
$20.00-$24.99	471,000	9.4	$22.49	14,300	$23.08
$25.00-$29.75	194,550	8.0	$27.35	48,110	$27.26
$5.00-$29.75	1,556,417	7.1	$15.65	701,814	$10.63

Note 11. Segment Information

In fiscal 1999, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", which requires reporting certain financial information according to the "management approach." This approach requires reporting information regarding operating segments on the basis used internally by management to evaluated segment performance. SFAS 131 also requires disclosures about products and services, geographic areas and major customers.

The Company divides its business into two major geographic segments: "Domestic", which includes the result of the Company's United States and Canadian operations, and "International", which includes the results of all other Company operations. The Company's international operations are principally conducted in Europe. The Company's international assets are substantially located in Europe. Other international operations constituted less than 10% of consolidated total assets for all periods presented.

The Company conducts its business primarily in two operating segments: "Wholesale" and "Other". The Company's wholesale segment includes the designing, manufacturing and distribution of quality watches. Other includes the Company's retail and service center operations. The accounting policies of the segments are the same as those described in "Significant Accounting Policies". The Company evaluates segment performance based on operating profit.

Operating Segment Data as of and for the fiscal year ended January 31 *(in thousands)*:

	Net Sales			Operating Profit (Loss)		
	2000	1999	1998	**2000**	1999	1998
Wholesale	**$256,081**	$245,783	$210,908	**$14,187**	$34,631	$24,277
Other	**38,986**	32,053	26,097	**127**	(1,597)	1,963
Elimination [1]	**—**	—	—	**1,455**	(359)	(284)
Consolidated total	**$295,067**	$277,836	$237,005	**$15,769**	$32,675	$25,956

	Total Assets		
	2000	1999	1998
Wholesale	**$214,769**	$261,395	$221,634
Other	**25,802**	29,354	16,561
Corporate [2]	**26,615**	5,626	10,874
Consolidated total	**$267,186**	$296,375	$249,069

Geographic Segment Data as of and for the fiscal year ended January 31 *(in thousands)*:

	Net Sales			Long-Lived Assets		
	2000	1999	1998	**2000**	1999	1998
Domestic	**$267,160**	$245,865	$196,064	**$16,534**	$17,222	$13,324
International	**209,217**	199,060	152,997	**11,059**	5,776	5,585
Elimination [3]	**(181,310)**	(167,089)	(112,056)	**—**	—	—
Consolidated total	**$295,067**	$277,836	$237,005	**$27,593**	$22,998	$18,909

	Income (Loss) before Taxes		
	2000	1999	1998
Domestic	**$(8,987)**	$2,096	$1,796
International	**23,780**	25,501	19,061
Elimination [3]	**356**	(359)	(284)
Consolidated total	**$15,149**	$27,238	$20,573

[1] *Elimination of inter-segment management fees.*
[2] *Corporate assets include cash.*
[3] *Elimination of intercompany sales between domestic and international units.*

Note 12. Quarterly Financial Data (Unaudited)

The following table presents unaudited selected interim operating results of the Company for fiscal 2000 and 1999 (in thousands, except per share amounts):

	Quarter Ended			
	April 30	July 31	October 31	January 31
Fiscal 2000				
Net sales	$47,653	$69,538	$99,032	$78,844
Gross profit	$29,035	$41,221	$61,641	$36,503
Net income (loss)	$ 4,312	$ 4,422	$13,767	$ (8,780)
Per share:				
Net income (loss):				
Basic	$ 0.34	$ 0.35	$ 1.10	$ (0.70)
Diluted	$ 0.33	$ 0.34	$ 1.07	$ (0.68)
Fiscal 1999				
Net sales	$41,650	$68,934	$97,455	$69,797
Gross profit	$24,714	$39,565	$57,488	$44,303
Net income	$ 148	$ 3,386	$12,007	$ 5,432
Per share:				
Net income:				
Basic	$ 0.01	$ 0.26	$ 0.94	$ 0.42
Diluted	$ 0.01	$ 0.25	$ 0.91	$ 0.41

As each quarter is calculated as a discrete period, the sum of the four quarters may not equal the calculated full year amount. This is in accordance with prescribed reporting requirements.

Note 13. Supplemental Cash Flow Information

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

	Fiscal Year Ended January 31,		
	2000	1999	1998
Cash paid during the year for:			
Interest	$7,559	$5,274	$4,580
Income taxes	$7,079	$4,585	$ 565

Report of Management

The consolidated financial statements and all related financial information contained herein are the responsibility of the Company. The financial statements, which include amounts based on judgements, have been prepared in accordance with generally accepted accounting principles. Other financial information in the annual report is consistent with that in the financial statements.

The Company maintains a system of internal controls that it believes provides reasonable assurance that transactions are executed in accordance with management's authorization and properly recorded, that assets are safeguarded, and that accountability for assets is maintained. The system of internal controls is characterized by a control-oriented environment within the Company, which includes written policies and procedures, careful selection and training of personnel, and internal audits.

PricewaterhouseCoopers LLP, independent accountants, have audited and reported on the Company's consolidated financial statements. Their audits were performed in accordance with generally accepted auditing standards.

The Audit Committee of the Board of Directors, composed of three non-management directors, meets periodically with PricewaterhouseCoopers LLP, internal audit and management representatives to review internal accounting control, auditing and financial reporting matters. Both PricewaterhouseCoopers LLP and internal audit have unrestricted access to the Audit Committee and may meet with it without management representatives being present.

Report of Independent Accountants

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

PRICEWATERHOUSECOOPERS

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, of cash flows and of changes in shareholders' equity present fairly, in all material respects, the financial position of Movado Group, Inc. and its subsidiaries at January 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2000, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

400 Campus Drive
Florham Park, New Jersey
April 11, 2000

Selected Financial Data

The selected financial data presented below has been derived from the Consolidated Financial Statements. This information should be read in conjunction with, and is qualified in its entirety by, the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations". Amounts are in thousands except per share amounts.

	Fiscal Year Ended January 31,				
	2000	1999	1998	1997	1996
Statement of income data:					
Net Sales	**$295,067**	$277,836	$237,005	$215,107	$185,867
Cost of sales	**126,667**	111,766	97,456	95,031	83,502
Selling, general and administrative	**152,631**	133,395	113,593	99,657	84,315
Total expenses	**279,298**	245,161	211,049	194,688	167,817
Operating income	**15,769**	32,675	25,956	20,419	18,050
Gain on disposition of business	**4,752**				
Net interest expense	**5,372**	5,437	5,383	4,874	4,450
Income before income taxes	**15,149**	27,238	20,573	15,545	13,600
Provision for income taxes	**1,428**	6,265	4,731	3,853	3,876
Net income [1]	**$ 13,721**	$ 20,973	$ 15,842	$ 11,692	$ 9,724
Net income per share-Basic	**$ 1.10**	$ 1.63	$ 1.35	$ 1.04	$ 0.86
Net income per share-Diluted [1]	**$ 1.06**	$ 1.58	$ 1.29	$ 1.02	$ 0.86
Basic shares outstanding	**12,527**	12,842	11,736	11,273	11,263
Diluted shares outstanding	**12,890**	13,256	12,236	11,489	11,327
Cash dividends declared per share	**$ 0.100**	$ 0.080	$ 0.080	$ 0.064	$ 0.053
Balance sheet data (end of period):					
Working capital	**$158,730**	$191,033	$157,103	$126,690	$132,679
Total assets	**267,186**	296,375	249,069	208,443	200,380
Long-term debt	**45,000**	55,000	35,000	40,000	40,000
Shareholders' equity	**147,815**	162,608	145,533	103,870	104,841

[1] *Includes $8.3 million pre-tax or $0.46 per share after tax one-time charge and $4.8 million pre-tax or $0.28 per share after tax gain from the sale of the Company's Piaget business. Excluding these items, net income was $15.9 million or $1.24 per share on a diluted basis.*

Market for Registrant's Common Stock and Related Shareholder Matters

As of March 24, 2000, there were 47 holders of record of the Class A Common Stock and, the Company estimates, approximately 2,100 beneficial owners of the Common Stock represented by 403 holders of record. The Common Stock is traded on the NASDAQ National Market under the symbol "MOVA" and on March 24, 2000, the closing price of the Common Stock was $ 10.00. The quarterly high and low closing prices for the fiscal years ended January 31, 2000 and 1999 were as follows:

	Fiscal 2000		Fiscal 1999	
Quarter Ended	Low	High	Low	High
April 30	**$20.75**	**$25.75**	$21.00	$30.44
July 31	**$22.88**	**$27.75**	$24.00	$30.25
October 31	**$21.63**	**$27.13**	$15.13	$24.75
January 31	**$18.63**	**$25.38**	$17.63	$26.63

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

During the fiscal year ended January 31, 2000, the Board of Directors approved four $0.025 per share quarterly cash dividends to shareholders of record of the Common Stock and Class A Common Stock. During the fiscal year ended January 31, 1999, the Board of Directors approved four $0.02 per share quarterly cash dividends to shareholders of record of the Common Stock and Class A Common Stock. The declaration and payment of future dividends, if any, will be at the sole discretion of the Board of Directors and will depend upon the Companyís profitability, financial condition, capital and surplus requirements, future prospects, terms of indebtedness and other factors deemed relevant by the Board of Directors. See Note 4 to the Consolidated Financial Statements regarding contractual restrictions on the Company's ability to pay dividends.

Corporate Directory

Executive Officers and Directors

Gedalio Grinberg
Director,
Chairman of the Board and
Chief Executive Officer

Efraim Grinberg
Director,
President

Richard J. Coté
Director,
Executive Vice President - Finance and
Administration

Kenneth J. Adams
Senior Vice President - Finance and
Chief Financial Officer

Glenn E. Tynan
Vice President - Corporate Controller

Howard Regenbogen
Treasurer

Timothy F. Michno
Secretary and General Counsel

Margaret Hayes Adame
Director,
President, The Fashion Group International

Donald Oresman
Director,
of Counsel Simpson, Thacher & Bartlett

Leonard L. Silverstein
Director,
Partner, Silverstein and Mullens
a division of Buchanan Ingersoll, P.C.

Alan H. Howard
Director,
Managing Director,
Donaldson Lufkin & Jenrette

Corporate Information

Corporate Headquarters
Movado Group, Inc.
125 Chubb Avenue
Lyndhurst, New Jersey 07071
(201) 460-4800

Transfer Agent and Registrar
The Bank of New York
101 Barclay Street
New York, NY 10286
(800) 524-4458

Independent Accountants
PricewaterhouseCoopers LLP
400 Campus Drive
Florham Park, NJ 07932
(973) 236-4000

Corporate Counsel
Paul, Weiss, Rifkind, Wharton & Garrison
1285 Avenue of the Americas
New York, NY 10019
(212) 373-3000

Annual Meeting
The Annual Meeting of Shareholders will be held on June 20, 2000 at 10:00 am at Simpson, Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017

Form 10-K
A copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is available to shareholders without charge upon written request to
Movado Group, Inc.
125 Chubb Avenue, Lyndhurst, NJ 07071,
Attention: Howard Regenbogen, Treasurer
(201) 460-4800

Design: Roessner & Co.