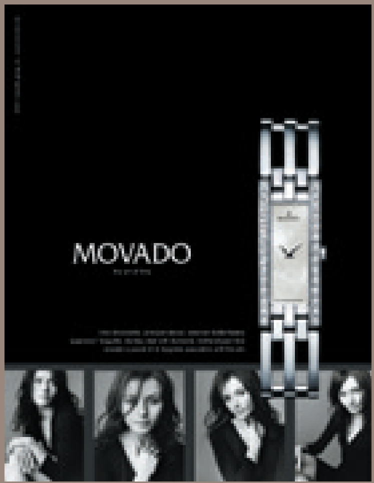
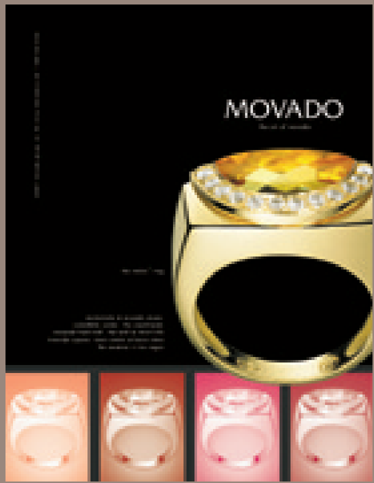
**MOVADO GROUP, INC.** ANNUAL REPORT 2001

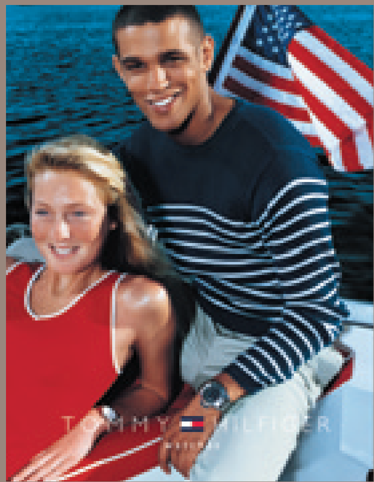

MOVADO


MOVADO


be late
CONCORD


UNWIND.
ESQ
SWISS WATCHES


COACH


TOMMY

*We of Movado Group are dedicated to accelerating the growth of our company. We are committed to focusing our energies, resources and investments on key, targeted areas of our business, to propel sales and earnings to higher levels in the coming years.*

# Watch us Grow!

*We have made it our mission to:*

- *Strengthen our current brands*
- *Develop new businesses*
- *Enter new consumer environments*
- *Improve our productivity*

*The plans to help us achieve aggressive, escalated growth are in place.*

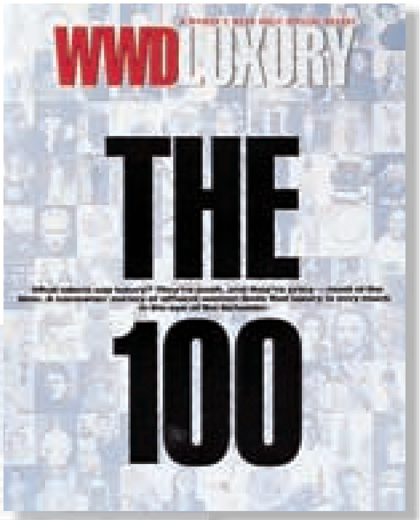
*The invitation is extended: Watch us grow!*

# *Strengthening Existing Brands*

At Movado Group, analyzing our success in the marketplace allows us to refine our winning mix of products, promotion and market development for each of our brands. Sales for Movado, our largest watch brand, reached dramatic new levels domestically and in key international markets. Exciting line extensions combined with new advertising executions and a worldwide display concept helped make Movado number one in its price category in the world's largest watch market – the U.S. Elegantly fashionable watch designs attracted new consumers to our luxury brand, Concord. The power of the brand's "be late" ad campaign supported by a new display initiative and targeted merchandising programs produced sales increases in the U.S. and key international markets. With new packaging and in-store displays adding to the impact of its young, contemporary "Unwind" advertising, ESQ sales rose across all distribution channels. We reinforced the updated styling and appeal of Coach Watch, our youngest existing brand, with product-focused advertising and sophisticated displays. Internationally, the brand's sales doubled in fiscal 2001 as a result of our continuing rollout in the Far East.


***New advertising -*** *Designed for fresh impact on the brand's target audience, Movado's dramatic new "art of time" print ad campaign features filmstrip shots of personalities Pete Sampras, Irina Dvorovenko and Wynton Marsalis.*

MOVADO
the art of time




***New publicity –** A powerful indication that more and more people are aspiring to Movado as a prestigious brand, Movado ranked #25 among all luxury brands and #3 among fine watchmakers in WWD's "The 100 Luxury Report".*


***New product –** Perfectly timed to take advantage of the fashion chrono trend, a new Eliro chronograph with understated black dial was added to the popular Movado Eliro family.*

***New display –** Movado's versatile new worldwide watch displays are streamlined and sophisticated – ideally suited to a brand which targets cultured, design-conscious consumers.*


CONCORD
Time is a luxury.

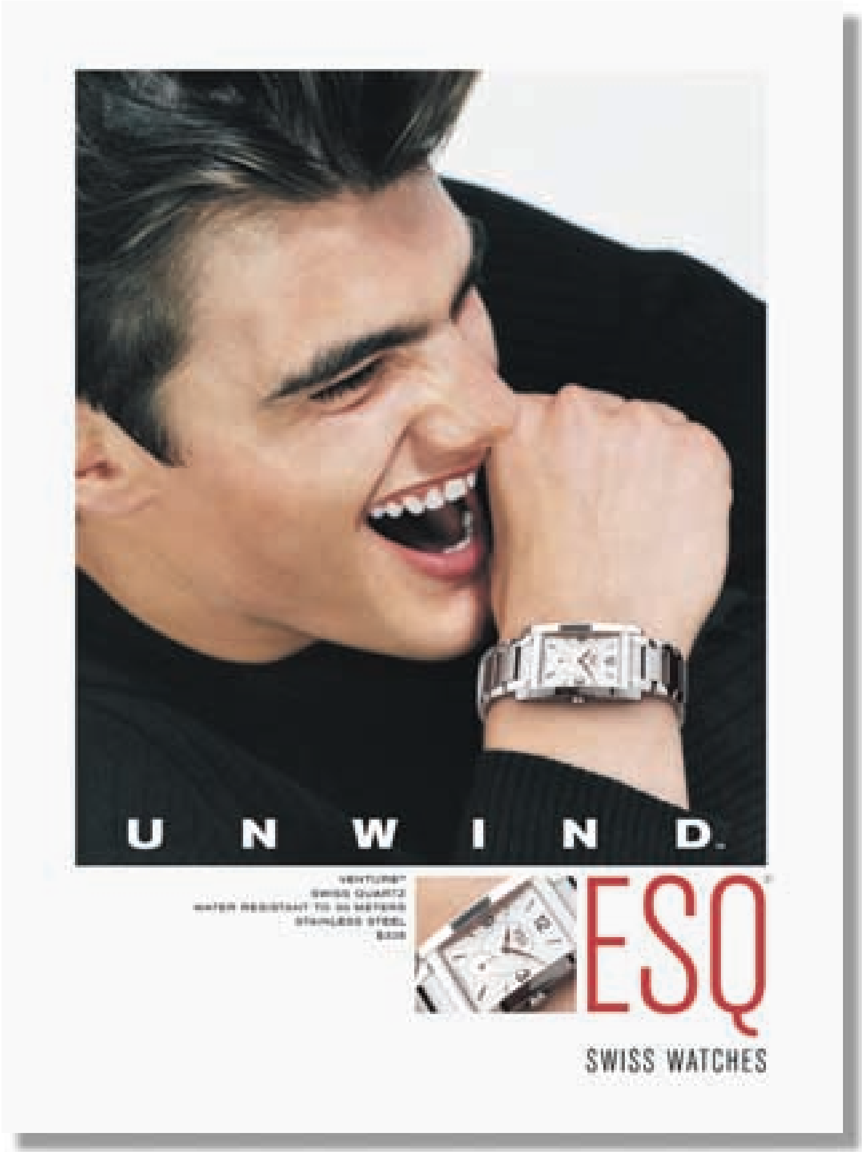

***Image-building advertising –*** *Concord continues to solidify a global brand identity, running its evocative "be late" lifestyle campaign in markets around the world. In the Middle East, the brand reinforces its luxury product appeal with ads showcasing high-fashion diamond chronos.*


***New media –*** *The luxurious world of Concord timepieces became accessible to a global audience when the brand's elegant, informative website – concord-watch.com – went online last November.*

***New consumer environment –*** *Taking its luxury message to the point of sale in a dynamic new way, a billboard-sized Concord "be late" advertisement appeared on the towering glass facade of a fine Concord jeweler in Tokyo, Japan.*


***New products –*** *Concord is capturing one of the latest trends in luxury watches – technologically sophisticated ladies' diamond-set chronographs in pastel shades – with its new line of La Scala colored chronos.*

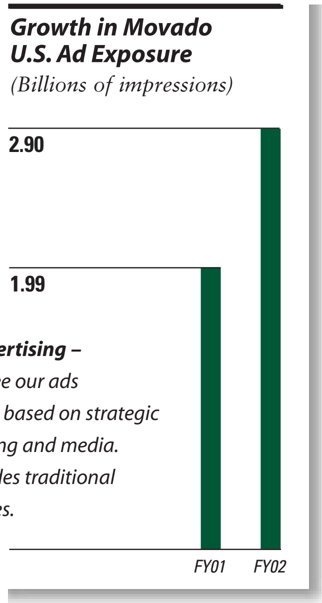
# ESQ
SWISS WATCHES




***Updated advertising –*** *The ESQ “Unwind” lifestyle campaign which targets active young professionals who savor and make the most of their personal time, is being refined this Spring to include closeup product detail and bolder brand identity.*

***New packaging –*** *A striking example of contemporary and functional package design, the new silver and clear acrylic ESQ watch box cube serves double duty as an in-case display module.*

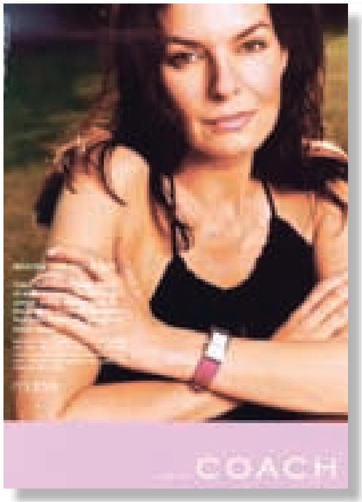

***New products –*** *One of the brand's most successful recent watch designs, the ESQ Siren fashion family was expanded to include crystal-set models with pastel mother-of-pearl dials and matching lizard-grained leather straps.*




***Movado Group advertising –*** *The opportunity to see our ads continues to increase based on strategic shifts in our advertising and media. Our media mix includes traditional and emerging vehicles.*

# COACH
WATCHES

***Updated advertising –*** *The Coach Watch global campaign continued its celebrity tie-in with Emmy-Award-winning actress Sela Ward, featured here in a special Coach/Macy's ad to benefit breast cancer programs, and is adding breadth to its strong product presentation this Spring by showcasing two watches in a single page unit.*






**_New product –_** _Reflecting the Coach brand's evolution toward more modern American styling, the new Coach Mercer Round, offered on an open-link bracelet or polished bangle, became a successful extension of the Mercer collection._


**_New market coverage –_** _The popularity of the Coach Watch brand continued its fast-paced growth in key Far Eastern markets with strong editorial coverage, and the issue of limited edition timepieces such as the Coach 60th Anniversary Metropolitan on red leather strap._


**_Brand strength –_** _Our Coach Watch brand benefits from the strong brand identity and retail presence of Coach leathergoods. Coach's chic Manhattan flagship store offers a fabulous array of fine Coach products including timepieces._

# Developing New Businesses

Spring 2001 marks Movado Group's entrée into the fashion category of the watch industry, with the debut of our newest brand, Tommy Hilfiger Watches. Working in close collaboration with the Tommy Hilfiger organization, we are manufacturing and distributing an exciting, diverse collection of watches bearing the designer's name and signature "twists" on classic styling. Tommy Hilfiger is celebrated worldwide for the classic American style and distinctive details of his sportswear designs. Tommy's fascination with watches began in childhood. Recognizing that beyond telling time, a watch is a reflection of personal style, he conceived his new line of watches to be fashionable, functional, affordable ($55 to $195 retail) and fun. The collection includes classic and sport elegant watches under the Tommy Hilfiger label and a Tommy line of bold sport and playful fashion designs with features like luminous hands, unidirectional bezels, custom crowns and logo details. Multi-function analog, digital and ana-digi models, as well as aluminum and titanium models are offered. Launched in major U.S. department stores in March, Tommy Hilfiger watches will also be introduced in Canada and the Caribbean this year.


***New advertising –** Utilizing fresh faces and sportswear familiar from Tommy Hilfiger apparel campaigns, advertising for Tommy Hilfiger Watches is carefully tied into the designer brand's crisp, clean and casual American image.*

***New products –** Greenwich, a versatile watch from the Tommy Hilfiger Crest Collection, comes with four interchangeable fabric or nylon straps in signature Tommy colors and patterns.*

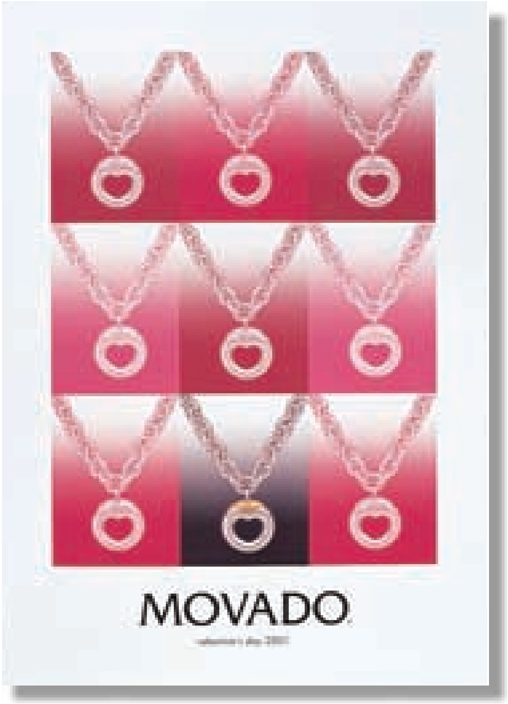

***New distribution channels –** The clean, new, fully merchandised Tommy Hilfiger Watch showroom inside the designer's midtown Manhattan headquarters is the perfect forum for hosting chain and department store Accessories buyers when they shop the markets in New York.*


***New price points –** With suggested retails ranging from $55 to $195, Tommy Hilfiger watches mark MGI's first foray into the fashion watch market.*

# *Developing New Businesses*

Our Movado Boutique lifestyle concept stores which offer consumers a range of Movado design products from jewelry to home decor items continued to grow in fiscal 2001. We enhanced our selections at accessible price points and broadened our tabletop, pen and accessory assortments. The two new stores we opened in Boca Raton, Florida, and Hackensack, New Jersey, were the first to incorporate our new, brighter, more consumer-friendly retail environment. The warm, welcoming interior, featuring three distinct "experience zones" for our watch, jewelry and home collections, reinforces the concept of Movado Boutiques as a lifestyle destination for gifts. Our exclusive Heart, Ono and exciting new Radius jewelry was featured in full color ads, and in Holiday and Valentine's Day catalogs mailed to consumers. This year, we will continue to expand our market presence, opening two new stores, one in New York City's trendy SoHo area, the other in King of Prussia, Pennsylvania. Controlled product licensing also remains a key growth initiative for Movado, and initial results from the brand's two new licensed clock and eyewear businesses signal their positive, long-term growth potential.

***New store design –*** *The Boutique in Riverside Square is one of the first Movado stores to feature the inviting new store design. The interior space is divided into separate conversation/counter areas for watches, jewelry and giftware.*




***New marketing programs –** Repeat Boutique business is being cultivated through a program of seasonal mailings of catalogs and brochures to established customers and key new prospects.*

***New expansion opportunities –** Movado Boutiques represent the front-line opportunity to grow Movado into a full lifestyle brand. Current plans call for the opening of two to five stores a year in select U.S. metropolitan markets during the next five years.*

***Movado Boutique expansion** – Store openings by year*

| | |
|---|---|
| 1998 | Rockefeller Center, New York, NY |
| | The Mall at Short Hills, Short Hills, NJ |
| | The Westchester, White Plains, NY |
| 1999 | Roosevelt Field Mall, Garden City, NY |
| | The Venetian, Las Vegas, NV |
| 2000 | Riverside Square, Hackensack, NJ |
| | Town Center at Boca Raton, Boca Raton, FL |
| 2001 | The King of Prussia Mall, King of Prussia, PA *(opening in July)* |
| | SoHo, New York, NY *(opening in October)* |

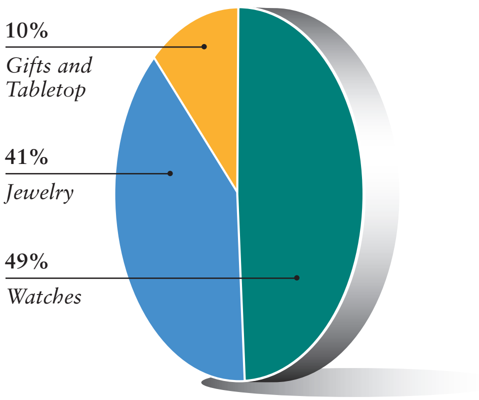
# MOVADO: THE STORE

***License product –** A new, modern, minimalist line of Movado sunglasses and frames was introduced in October 2000. Manufactured by Lantis Eyewear Corporation under an exclusive license agreement, and offered at select optical retailers, the first collection is comprised of 15 men's/unisex styles retailing at $195 to $345.*

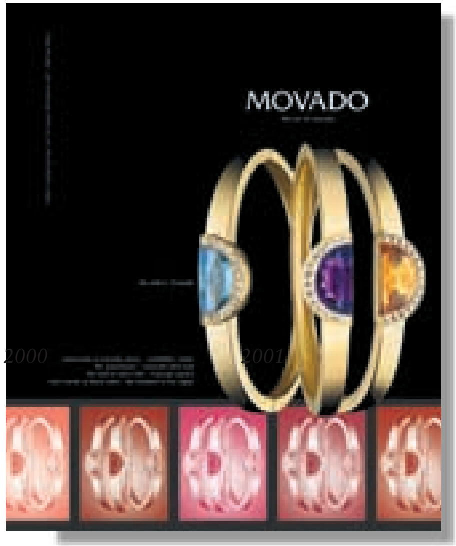
***License product –** Sales and distribution of Movado clocks, manufactured under license agreement by Colibri Corporation, both increased during their second year. Reflecting Movado design simplicity in their fluid lines and sculpted forms, the clocks are sold at Movado Boutiques, fine department stores, independent jewelers and gift stores throughout North America and the Caribbean.*

***Building a lifestyle brand –** We continue to build and diversify our product offerings to make our Movado stores a lifestyle destination not only for watches but for jewelry and gifts.*

***2001 Movado Boutique Product Mix***



***New products –** The Movado philosophy – design, craftsmanship, innovation – is being extended to new product categories. A best seller since its introduction last year, Radius jewelry features radiant semi-precious stones in a unique, half-moon-cut and patent-pending setting. CrystalOno, below, is an exclusive tabletop collection inspired by the single dot Museum watch dial.*

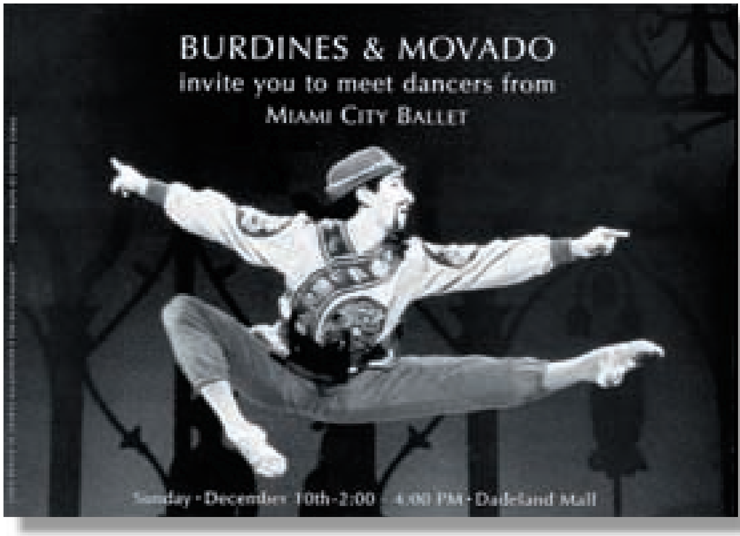



***New advertising –** Working to build a stronger brand identity across product categories, print ads for Boutique product will share the creative campaign introduced this spring for Movado watches, under the related theme line, "the art of design".*

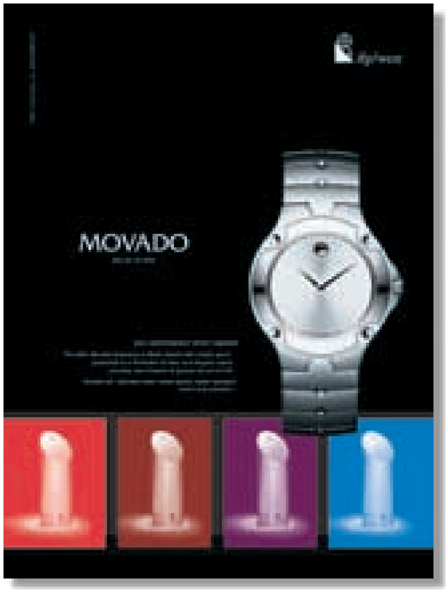
# New Consumer Environments

Movado Group is committed to exploring exciting new ways of reaching out to our consumers and supporting our retailers through new environments, media and programs. Our first shop-in-shop at Macy's brings dynamic Movado branding directly to the point of purchase. Concord's platinum level program rewards retailers committed to our luxury brand with special seminars, product selections and priority services. Our new Concord and Movado websites allow us to present our watches to a global audience while directing interested consumers to authorized retailers. The Movado Boutiques continue to build a customer base and sales through our developing direct mail catalog program. Each year, our watch brands reach out to targeted consumers with hundreds of pages of compelling, retailer-tagged advertising in top national magazines. Exciting media-sponsored events like this year's ESQ/*Maxim* golf tournament and in-store events like Movado's popular American Ballet Theatre toe-shoe signings create consumer interest and retailer traffic in key markets, while our seasonal press previews, annual Basel press conference,and branded tie-ins with keenly anticipated celebrity events like Movado at the Independent Spirit Awards and Concord and the Oscars, generate widespread editorial coverage, TV buzz and public interest in our products.


***New shop-in-shop concept –*** *With its vibrant brand visuals, video tower and visitor-sensitive lighting, the new Movado shop at Macy's Herald Square is the first such concept shop delivering a dynamic, interactive Movado shopping experience directly to the department store consumer.*



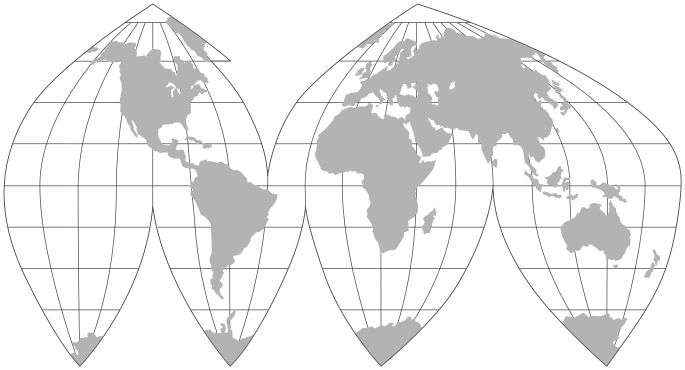

***Movado toe-shoe signing events –*** *Sponsoring popular in-store appearances by dancers from American Ballet Theatre and Miami City Ballet enables Movado to interact directly with consumers while supporting its strong relationships with retailers and the performing arts.*




***Supporting the art of film*** *– For the past three years, Movado, an innovator in time, has recognized visionary direction in film by sponsoring the Independent Spirit Award's "Movado Someone to Watch Award" with financial grant, presented to a rising independent filmmaker.*


***Movado supports American Ballet Theatre –*** *Proud of its 15-year role as a principal benefactor of American Ballet Theatre, Movado, "the art of time", is pleased to sponsor and promote special ABT performances throughout the year.*

# New Consumer Environments




*__Targeted market expansion –__ Concord continues to focus its international development efforts in selected markets with long-term potential including the Middle East, Japan, Hong Kong and Switzerland.*


*__In the Middle East –__ In one key international market, Concord's targeted annual advertising and publicity efforts culminate in the brand's sponsorship of a major day of thoroughbred horse racing, a feted event on the Dubai social scene.*

***At the Basel Fair –*** *With a strong new product presence again this year, Concord, Movado and MGI's other brands capitalized on a major selling opportunity at the industry's largest international trade event, the 2001 Basel World Watch, Clock and Jewellery Show.*



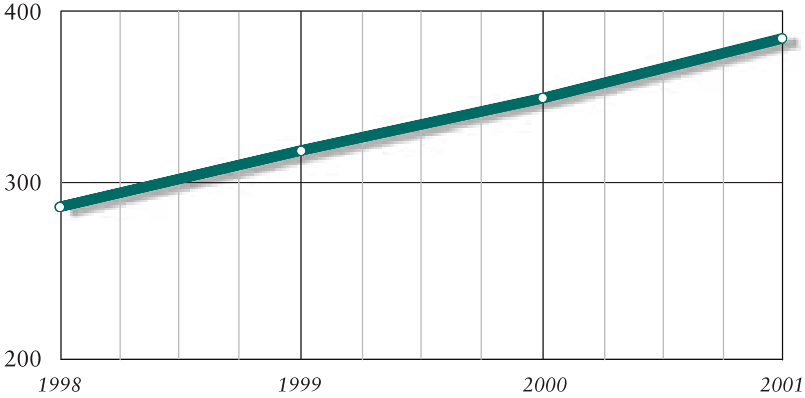
***On the worldwide web –*** *Concord is expanding the exposure of its "be late" lifestyle campaign by extending its 'time is a luxury' appeal to computer-savvy consumers via www.concord-watch.com, the brand's newly launched web site.*

# Improving Our Productivity

One of the keys to our ability to achieve accelerated growth lies in providing the infrastructure, from plant and equipment to controls and technology, needed to support our corporate plan. With the February move to our new northern New Jersey distribution center, we more than doubled our capability with no increase in operating costs. This new state-of-the-art facility with its improved traffic flow and handling systems is enabling us to pick, pack and ship orders with greater security, speed and efficiency. Implementation of our enterprise-wide computer system is also virtually complete; over 95% of our operations, including our international offices in Bienne which were relocated and upgraded in 1998, are now running off the same fully integrated software platform. Our worldwide supply chain is also making productivity gains by focusing as a team on improving our gross margins, product development-to-delivery times, customer fill rates and worldwide logistics processes. Manufacturing our new Tommy Hilfiger watches at a key supplier's fully automated production plant gives us the flexibility to meet the demanding quick-time and low-cost requirements of competing successfully in the fashion segment of the industry.

***New warehousing facilities*** *– More than double the size of our previous space, MGI's new warehouse and distribution center is a secure, state-of-the-art facility designed for efficient, expeditious order processing.*

**Revenues Per Employee** *(Dollars in thousands)*




***Increasing our productivity –*** *One indication of the success of Movado's ongoing emphasis on improving productivity is the annual increase in revenues per employee seen over recent years.*


***New systems and controls –*** *With volatility in foreign economies and currencies a continuing factor in international business, we have taken steps that will help minimize the risks of doing business in a global economy.*

***Dedicated and skilled employees –*** *MGI employees are among the very best in the business. We recruit talented and experienced professionals, encourage their career development, and reward outstanding performance whenever possible by promoting from within.*

# Improving Our Productivity

***State-of-the-art manufacturing –*** *Our Tommy Hilfiger fashion watch brand introduces new models four times a year. To ensure our capability to meet such fast-paced production needs, we have contracted with a fully automated manufacturing and assembly plant that is equipped with the latest technology.*

***Celebrating the first Tommy watch –*** *Marking an MGI corporate milestone, workers take time out to pose with the first Tommy Hilfiger watch to come off the assembly line.*

***Improving our infrastructure –*** *MGI's new state-of-the-art distribution facility in northern New Jersey is spacious, well laid-out and fully equipped to facilitate accurate inventory control and swift, efficient order picking.*

***Building a team of professionals –*** *From Information Systems to Packing and Shipping, and New Jersey to Switzerland and Asia, MGI employees worldwide work together as a dedicated team in the design, manufacture, distribution, promotion and sales of our fine brand name products.*

# *Financial Highlights*

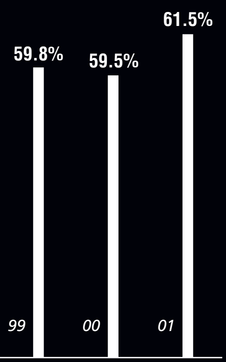
| *Dollars in millions (except per share data)* | **2001** | 2000 | 1999 |
|---|---|---|---|
| **Results of Operations:** | | | |
| Net sales from ongoing operations | **$320.8** | $295.1 | $260.9 |
| Operating income | **34.1** | 15.8 | 32.7 |
| Net income[1] | **20.8** | 13.7 | 21.0 |
| Net income per share-diluted[1] | **1.75** | 1.06 | 1.58 |
| **Cash Flows and Financial Position:** | | | |
| Operating cash flows | **$ 25.3** | $ 28.3 | $ (9.1) |
| Cash and cash equivalents | **23.1** | 26.6 | 5.6 |
| Working capital | **154.6** | 157.5 | 191.0 |
| Shareholders' equity | **159.5** | 147.8 | 162.6 |
| Net debt to capitalization | **25.2%** | 20.0% | 27.5% |

*[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 during 2000. Excluding these items, net income would have been $15.9 million or $1.24 per share on a diluted basis.*

**Net Sales from Ongoing Operations**
*Dollars in Millions*


**Operating Cash Flows**
*Dollars in Millions*


**Gross Margin Performance**



## *To Our Fellow Shareholders:*

Last year we embarked on a mission to return to our long-term trend of profitable growth. With the right people and priorities in place, fiscal 2001 marked a very successful year not just in terms of financial performance, but also in the strength of our core brands, Movado, Concord, ESQ and Coach; the development of our new businesses, the Movado Boutiques and Tommy Hilfiger watch brand; and productivity improvements.

We are pleased to report that during our fiscal year ended January 31, 2001, the Company delivered record sales of $320.8 million, record gross margins both in dollars, $197.4 million, and as a percentage of sales, 61.5%, and record EPS of $1.75. In addition, our quarterly results exceeded analysts' consensus estimates in each of the four quarters for fiscal 2001.

Our strong financial results were driven by robust sales performance in our base businesses – Movado, Concord, ESQ and Coach – complemented by our focus on business fundamentals: delivering solid gross margins, improving our inventory mix and on-time delivery performance, and implementing cost-reduction initiatives, while better leveraging our operating expense infrastructure and generating positive cash flow from operations. Importantly, we continued to invest in our new business strategic initiatives, including the Tommy Hilfiger watch line and the rollout of our Movado Boutique expansion plan, which will provide our Company with new avenues of profitability and future growth.

In partnership with Tommy Hilfiger, we produced a new line of watches that was launched across the United States in late March 2001. This new product introduction, which allows Movado to penetrate the growing fashion segment of the watch industry for the first time, has already been met with great customer enthusiasm.

In addition, we continue to realize excellent success in the retail channel, with our Movado Boutiques delivering comparable store sales growth of 27% for the full year. Our new jewelry line, Radius, and our new gift accessories business also contributed to our strong sales growth. We are especially excited by our expanded signature store design which is reflected in our two newest mall-based boutiques at the Town Center in Boca Raton, Florida and Riverside Square in Hackensack, New Jersey, and by our broadened product assortment which was introduced in all of our seven boutiques this past holiday season.

### *Financial Results*

Our $320.8 million in sales last year represents an 8.7% increase over prior year's sales of $295.1 million. On a constant currency basis, our sales grew by 10.7%. Gross margins of $197.4 million or 61.5% of sales increased 17.2% over the prior year's margin of $168.4 million or 57.1% of sales. The improved gross margin level reflects a greater availability of core range product, higher margins on new model introductions, reduced product acquisition costs due to the strength of the dollar and reduced levels of liquidation sales as we continue to emphasize sales of discontinued product through our outlet division.

Operating profit for the year rose to $34.1 million or 10.6% of sales as compared to $15.8 million for the prior year. Net income of $20.8 million or 6.5% of net sales represented an impressive 51.4% increase over prior fiscal year's net income of $13.7 million or 4.7% of net sales. Fully diluted earnings per share grew 65.1% to $1.75 versus $1.06 for the prior fiscal year. The prior year results reflect an after-tax gain on the sale of the Piaget business of $3.7 million or $0.28 per share and nonrecurring after-tax charges of $5.9 million or $0.46 per share. Excluding these items, net income increased 30.4% and fully diluted EPS increased 41.1%.

In fiscal 2001, the Company reported positive cash flow from operating activities of $25.3 million following record cash flows of $28.3 million achieved in fiscal year 2000. Our continued focus on working capital management has contributed to the positive cash flow generation.

***Strengthening Existing Brands***

Fiscal 2001 was another year of strong sales for our existing businesses – Movado, Concord, ESQ, Coach and our outlet stores. Our domestic sales increased 8.5% to $252 million, driven primarily by strong sales growth in Movado and ESQ. Domestically, we continue to place a priority on improving our execution at the point of sale and investing in our brands through advertising and targeted marketing programs.

International sales grew 6.2% to $60 million, fueled by strong sales growth in Concord and Coach. On a constant dollar basis, international sales grew 15.5%. We believe that developing brand recognition and consumer demand is the key to capturing long-term opportunities for our brands overseas. 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 opportunities exist to grow brand sales and gain market share.

Brand sales were driven by the continued success 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 programs as well as new product introductions such as the New Sports Edition (SE) introduced last year, our most successful product launch ever. This year we are launching Elliptica, a watch design which premiered at the Basel World Watch, Clock and Jewellery Show trade fair to rave reviews.

Our Concord luxury brand's successful "be late" lifestyle advertising campaign continued to draw favorable responses. Additionally, we continued to emphasize our leading La Scala collection of watches with several new model introductions. Concord continues to develop its prestige and exclusivity within the luxury category.

Our ESQ brand continued to deliver strong sales growth with its focused product offering and strong retail sell through. ESQ's "Unwind" advertising campaign is strategically positioned to appeal to confident, nonconforming young professionals with a watch brand that offers them the freedom to meet life's many challenges and adventures.

Our Coach brand of watches is well positioned at retail including Coach stores and department stores in the United States (the base of Coach leathergoods distribution), as well as in Coach stores and other watch retailers in Japan, and in duty free stores worldwide. For the current year, we will focus on solidifying our position in the marketplace and fine-tuning the Coach collection with the introduction of lower price points to reach a wider consumer base, and a new line of watches to complement Coach's very successful signature "C" design. The Coach brand is extremely strong, and we firmly believe it represents a great opportunity of future growth for the Company.

***Developing New Businesses***

Movado Group has a very strong history of successfully introducing new, profitable brands that generate incremental sales. We are well positioned to continue that trend with the launch of our Tommy Hilfiger watch brand and the expansion of our Movado Boutique concept. We expect these businesses to provide incremental, profitable growth for many years to come.

The launch of Tommy Hilfiger watches opens up an entirely new segment of business for the Company. The inclusion of this prestigious label into Movado Group's portfolio of brands marks the Company's first foray into the rapidly growing "fashion" category of the watch industry. Designed to complement the various lifestyles of Tommy Hilfiger's core consumer, the collection will include American classic, sport, casual and dress watches priced between $55 and $195 at retail. The Tommy Hilfiger line has received an excellent reception from retailers, with shipments to stores across the United States begun in late March 2001.

This past year also has been dedicated to developing the next evolution of the Movado Boutique store design which will showcase expanded, exclusive Movado jewelry collections and a new collection of tabletop/home accessories. Beginning with the two prestigious mall stores we recently opened in the Town Center at Boca Raton, Florida and in Riverside Square, Hackensack, New Jersey, all of our new Movado Boutiques will feature this new store design developed in conjunction with a world-renowned retail store designer. Our new boutiques, each approximately 2,000-square feet, will reflect the Movado image of sophistication, elegance, and uniqueness. All of our boutiques feature our expanded product assortment of designs exclusive to Movado, including a new collection of tabletop/home accessories and gift-worthy items at attractive price points. We are pleased with the progress we are making in executing our Movado Boutique expansion strategy, as we continue to selectively open boutiques in high profile shopping destinations supported by strong demographics. In this regard, we are also very excited about our flagship boutique in SoHo, New York City's trendy and premiere shopping destination, which will open in Fall 2001, and our new store in Pennsylvania's King of Prussia mall which will open in Summer 2001.

***Productivity Improvements***

In addition to focusing on growing sales through our existing portfolio of brands and our new businesses, we are also strategically focused on improving productivity throughout the Company. We have made major strides this past year to position our Company to reap productivity improvements for many years to come.

One major productivity improvement recently completed was the relocation of our U.S. distribution operations. We committed to this initiative in May 2000 with the signing of a lease for a 100,000-square foot distribution facility in New Jersey. This facility more than doubles our previous distribution capability with no increase in operating costs. We completed the retrofitting of this new space in Fall 2000, and moved our entire distribution operations – people and product – there in early February 2001. The move went without a hitch and we have been up and running since late February 2001. The new distribution center is a great improvement over our prior distribution environment and will enable us to significantly enhance our distribution procedures, product handling and overall security while enhancing customer service and providing room for significant business growth.

Another productivity improvement recently implemented is our enterprise-wide computer system. We now have over 95% of our operations running off the same fully integrated software platform which will allow us to further improve and accelerate operating efficiencies.

Our worldwide supply chain team is also a major contributor to productivity improvement, as it continues to focus on further improving gross margins, shortening our product production-to-delivery time cycle, improving our customer fill rates and strengthening our worldwide logistics processes.

We have also entered into an agreement that will allow us to relocate our corporate headquarters to Paramus, New Jersey. This newly leased office facility will enable the Company to consolidate its management and administrative employees into one location, providing a more efficient business environment.

Combined, these initiatives will serve to generate productivity improvements and allow us to better leverage the strong operating infrastructure that exists at Movado Group.

***Looking Ahead…***

We are extremely pleased with our financial results for the year and with the great strides we have made to ensure that our Company is in an excellent position for future profitable growth. We are confident that our Company is financially sound, and that we have appropriate business controls firmly in place to support our ability to continue to profitably grow our business.

This past year has represented a period of unprecedented hard work by all our employees worldwide as they have: implemented an enhanced internal control environment; improved business processes to generate increased levels of productivity; integrated worldwide computer systems; created a new and greatly enhanced distribution center; developed, designed, produced and shipped over 200 new Tommy Hilfiger watch models, to name but a few of their accomplishments. All of this was accomplished while simultaneously delivering record sales, record gross margins and record EPS.

Our people are our greatest assets and we are proud to acknowledge and thank the more than 800 hard-working Movado Group employees around the world. We are also very appreciative of the people who support our global efforts: our consumers, our customers, our suppliers and our shareholders, all of whom have contributed to our success.

We are confident in our ability to drive the Movado Group to new heights, during fiscal 2002 and beyond, as we continue to profitably grow our business. Follow our success and "Watch Us Grow".

Gedalio Grinberg
*Chairman and*
*Chief Executive Officer*

Efraim Grinberg
*President*

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

**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, changes in consumer preferences and popularity of particular designs, new product development and introduction, competitive products and pricing, seasonality, availability of alternative sources of supply in the case of the loss of any significant supplier, the loss of significant customers, the Company's dependence on key officers, the continuation of licensing arrangements with third parties, ability to secure and protect trademarks, patents and other intellectual property rights, ability to lease new stores on suitable terms in desired markets and to complete construction on a timely basis, continued availability to the Company of financing and credit on favorable terms, business disruptions, general risks associated with doing business outside the United States including, without limitations, import duties, tariffs, quotas, political and economic stability, and success of hedging strategies with respect tocurrency 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.

Approximately 19% 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 an average exchange rate 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 23 outlet stores located throughout the U.S. and seven 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 management of assembly operations and product sourcing in Switzerland and the Far East and minor assembly in the U.S. 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 include 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, 2001, 2000 and 1999**

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

| | Fiscal Year Ended January 31, | | |
|---|---|---|---|
| *(in thousands)* | **Fiscal 2001** | Fiscal 2000 | Fiscal 1999 |
| Concord, Movado, Coach and ESQ: | | | |
| Domestic | **$216,390** | $200,480 | $180,909 |
| International | **59,668** | 56,185 | 50,940 |
| Piaget and Corum | **(336)** | (726) | 13,934 |
| Other | **45,119** | 39,128 | 32,053 |
| Net Sales | **$320,841** | $295,067 | $277,836 |

Total net sales increased 8.7% to $320.8 million in fiscal 2001 from $295.1 million in the prior year. Domestic sales increased 9.5% to $260.6 million from $237.9 million in fiscal 2000. Domestic sales were led by double digit growth in the Movado brand and high single digit growth in the ESQ brand. International sales of the Company's core brands increased 6.2% led by the continuing international rollout of the Coach watch brand in the Far East, which resulted in a doubling of Coach watch international sales in fiscal 2001 and double digit growth in the Concord brand.

Other net domestic sales, which includes the Company's outlet stores, Movado Boutiques and after sales service business, increased 16% over the prior year. This growth was primarily attributable to comparable store sales gains in the Movado Boutiques of approximately 27% and new store openings in the Company's outlet stores and Movado Boutiques, offset by a decrease in after sales service revenues as a result of the sale of the Piaget and Corum businesses. Comparable store sales in the Company's outlet stores were relatively flat.

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 2001 was 61.5% as compared to 57.1% for fiscal 2000. Gross margin increases reflect the improvements the Company initiated in fiscal 2001. These improvements included the improved availability of core range products, higher margins on new model introductions, reduction of product acquisition costs mainly due to the strength of the U.S. dollar against the Swiss franc and significant reduction of liquidation sales. The gross margin increase is also due to one time charges of $5.0 million made in fiscal 2000 to write down non core component inventories and the $2.3 million book to physical inventory adjustment during fiscal 2000. During fiscal 2001, there were no one time charges reflected in gross margin.

The Company's gross margin decreased from 59.8% in fiscal 1999 to 57.1% in fiscal 2000 due to the one-time charge of $5.0 million to write down non-core component inventories and $2.3 million book to physical inventory adjustments. The decrease was also attributed to a higher level of liquidation sales in fiscal 2000 due to the unavailability of higher margin core range products.

*Operating Expenses*. Operating expenses for fiscal 2001 were $163.3 million or 50.9% of net sales as compared to $152.6 million or 51.7% of net sales in fiscal 2000. The increase in operating expenses of approximately 7% or $10.7 million relates to several areas, including advertising and marketing expenses, which increased $0.4 million or 1%; selling expenses, which increased $2.2 million or 5%; distribution costs, which decreased $0.2 million or 2%, and general and administrative expenses, which increased $8.3 million or 21%.

The increase in advertising costs related to advertising increases of $1.3 million in the Movado Boutiques and cooperative advertising programs offset by a decrease of expenditures for special events, point of sale support material such as displays and product brochures and media advertising programs. Increases in advertising expenses at the Movado Boutiques reflect the costs associated with new business initiatives.

Selling expenses increased in both the Company's wholesale and retail businesses. Increases in selling expenses in the wholesale business primarily reflect higher levels of sales commissions due to sales increases in the Movado brands and increases in head count to support the launch of the Tommy Hilfiger line.

Increases in selling expenses associated with the Company's retail operations relate primarily to the addition of one new outlet and two new Movado Boutiques in fiscal 2001 as well as the annualized cost of stores opened during fiscal 2000.

Distribution expenses are largely variable in nature and these expenses grew proportionately with increases in unit volume shipments offset by a nonrecurring charge of $1.0 million made in fiscal 2000 for expenses related to the relocation of the Company's U.S. distribution operations.

Increases in general and administrative expenses were substantially due to the recording of a management bonus as a result of exceeding corporate performance targets, a moving and relocation expense associated with the shutdown of the distribution and service center in Lyndhurst, N.J. and costs associated with new business initiatives including staffing costs for the launch of the Tommy Hilfiger brand, Movado Boutiques and Company outlet stores. In addition, there were cost increases in a small number of general and administrative expenses which are consistent with industry cost increases.

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. The increase in operating expenses of approximately 14% or $19.2 million relates to several areas, including advertising and marketing expenses, which increased $8.1 million or 15%; selling expenses, which increased $4.5 million or 12%; distribution costs, which increased $2.3 million or 38%, and 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 Jewellery Show.

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

Increases in distribution expenses include a nonrecurring charge associated with the planned relocation of the Company's U.S. distribution operations. The remaining increase is due to the variable nature of distribution expenses which 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 Switzerland and its other international subsidiaries. The Company also added information systems support personnel in fiscal 2000.

*Interest Expense*. Net interest expense in fiscal 2001 increased $1.0 million from $5.4 million in fiscal 2000 to $6.4 million in fiscal 2001. The increase in interest expense is primarily a result of a decrease in investment income from the investment of the $28.4 million proceeds from the Company's sale of the Piaget business in February 1999. Gross interest expense decreased by $148,000 or 2.4% due to a decrease in the average revolving credit and working capital borrowings from $40.3 million in fiscal 2000 to $31.7 million in fiscal 2001, a 21% reduction of debt, offset by an increase in average interest rates. In addition, a $5.0 million payment on the Senior Note borrowings was made in January 2000, interest for this borrowing was reduced by approximately $0.3 million.

Net interest expense for fiscal 2000 and 1999 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 $6.9 million, $1.4 million, and $6.3 million for fiscal 2001, 2000 and 1999, respectively, or 25% of pretax income for fiscal 2001, 9.4% for fiscal 2000 and 23% for fiscal 1999. 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 stabilize in the 25% to 30% 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**

Operating activities generated cash flows of $25.3 million in fiscal 2001, $28.3 million in fiscal 2000 and ($9.1) million in fiscal 1999. Cash flows from operating activities in fiscal 2001 were less than fiscal 2000 mainly due to increased inventory positions. Operating cash flows in fiscal 2000 increased from fiscal 1999 due to a reduction in working capital.

The Company used cash of $11.7 million in fiscal 2001 for investing activities, primarily for capital expenditures. This compared to a cash inflow of $17.5 million in fiscal 2000 mainly as a result of the sale of its Piaget business to VLG for $28.4 million in cash. In fiscal 1999, $10.9 million of cash was utilized in investing activities, primarily for capital expenditures.

Capital expenditures amounted to $10.8 million in fiscal 2001 and related primarily to management information systems projects, the addition of one outlet store and two Movado Boutiques and the build out of the new distribution center in Moonachie, New Jersey. The Company's capital expenditures for fiscal 2000 and fiscal 1999 amounted to $10.1 million and $11.7 million, respectively. Expenditures in fiscal 2000 were primarily related 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 Jewellery show. 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. The Company expects that annual capital expenditures in the near term will approximate the levels experienced in fiscal 2001 and 2000 and will relate primarily to relocating its U.S. headquarters, various information systems projects and leasehold improvements associated with additional Movado Boutiques and outlet stores.

Cash used in financing activities amounted to $17.4 million in fiscal 2001. This compares to $22.1 million of cash used in and $18.6 million of cash provided by financing activities in fiscal 2000 and 1999, respectively.

At January 31, 2001 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 $5 million and $10 million in principal amount of these notes in fiscal 2001 and fiscal 2000, respectively. At January 31, 2001, $20 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. The $25 million Series A Senior Notes bear interest at 6.90%, mature on October 30, 2010 and are subject to annual repayments of $5.0 million commencing October 31, 2006.

On March 21, 2001, the Company entered into a new Note Purchase and Private Shelf Agreement which allows for the issuance for up to three years after the date thereof, of senior promissory notes in the aggregate principal amount of up to $40 million with maturities up to 12 years from their original date of issuance.

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 $100 million unsecured revolving line and $15.0 million of uncommitted working capital lines of credit. The borrowings are governed under a three year renewed Bank Credit Agreement dated June 22, 2000 among the Company and its bank group, which replaced a previous agreement dated July 23, 1997. The previous agreement provided for a $90 million unsecured revolving line and $31.6 million of annually renewable working capital lines of credit. At January 31, 2001, the Company had $8.8 million of outstanding borrowings under its bank lines as compared to $13.5 million at January 31, 2000.

Under a series of share repurchase authorizations approved by the Board of Directors, the Company has maintained a discretionary buy-back program throughout fiscal 2001. Share repurchases under the repurchase program amounted to $7.3 million, $17.6 million and $0.6 million in fiscal 2001, 2000 and 1999, respectively. As of January 31, 2001, the Company had authority to repurchase $4.5 million against an aggregate authorization of $30 million.

During fiscal 1999, the Company repurchased $2.3 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 2001 and fiscal 2000 amounted to $1.2 million and $1.0 million in fiscal 1999.

Cash and cash equivalents at January 31, 2001 amounted to $23.1 million compared to $26.6 million at January 31, 2000. Net debt to total capitalization at January 31, 2001 was 16% as compared to 20% at January 31, 2000.

In summary, the Company made significant progress in fiscal 2001 in maintaining its liquidity primarily through the success of its operating expense reduction initiatives and increased product profitability. The Company plans to continue to focus on improving its cash flows in fiscal 2002.

**Recently Issued Accounting Standards**

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which is effective for the company as of February 1, 2001. SFAS 133 requires that an entity recognizes all derivatives as either assets or liabilities measured at fair value. Changes in derivative fair values will either be recognized in earnings as offsets to the changes in fair value of related hedged assets, liabilities and firm commitments or, for forecasted transactions, deferred and recorded as a component of other stockholders' equity until the hedged transactions occur and are recognized in earnings. The ineffective portion of a hedging derivative's change in fair value will be immediately recognized in earnings. Adoption of this statement is not expected to materially impact the Company's financial statements.

In December 1999, the Securities and Exchange Commission "SEC", issued Staff Accounting Bulletin No. 101 "SAB 101", "Revenue Recognition in Financial Statements". SAB 101 summarizes certain of the SEC's views in applying accounting principles generally accepted in the United States to revenue recognition in financial statements. The Company adopted the guidance of this bulletin during fiscal 2001, which had no material impact on the Company's revenue recognition policy.

**Market Risks**

The Company's primary market risk exposure relates to foreign currency exchange risk (see Note 6 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, predominantly 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, 2001, the Company's hedging portfolio consisted of various dates ranging through April 30, 2003 with an average forward rate of 1.6368 Swiss francs per dollar. The Company has $20.0 million of option contracts with a maturity date of February 1, 2001 and $25 million of option contracts with a maturity date of December 11, 2001. The option contracts have an average strike price of 1.6543 Swiss francs per dollar. As of January 31, 2001, the carrying value of the options amounted to approximately $0.6 million, which represents the unamortized premium of the option and a fair market value of approximately $1.3 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, 2001 and the fixed rates was minimal.

## Consolidated Statements of Income

| (in thousands, except per share amounts) | Fiscal Year Ended January 31, 2001 | 2000 | 1999 |
|---|---|---|---|
| Net sales | **$320,841** | $295,067 | $277,836 |
| Costs and expenses: | | | |
| Cost of sales | **123,392** | 126,667 | 111,766 |
| Selling, general and administrative | **163,317** | 152,631 | 133,395 |
| | **286,709** | 279,298 | 245,161 |
| Operating income | **34,132** | 15,769 | 32,675 |
| Interest expense, net | **6,443** | 5,372 | 5,437 |
| Gain on disposition of business | **—** | 4,752 | — |
| Income before income taxes | **27,689** | 15,149 | 27,238 |
| Provision for income taxes | **6,922** | 1,428 | 6,265 |
| Net income | **$ 20,767** | $ 13,721 | $ 20,973 |
| Net income per share – Basic | **$1.78** | $1.10 | $1.63 |
| Weighted average shares outstanding | **11,651** | 12,527 | 12,842 |
| Net income per share – Diluted | **$1.75** | $1.06 | $1.58 |
| Weighted average shares and share equivalents outstanding | **11,866** | 12,890 | 13,256 |
| Comprehensive Income: | | | |
| Net Income | **$ 20,767** | $ 13,721 | $ 20,973 |
| Other comprehensive income, net of tax: | | | |
| Foreign currency translation adjustment | **(1,707)** | (10,456) | (869) |
| Comprehensive income | **$ 19,060** | $ 3,265 | $ 20,104 |

*See Notes to Consolidated Financial Statements*

## *Consolidated Balance Sheets*

| *(in thousands, except share and per share amounts)* | January 31, 2001 | 2000 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash | **$ 23,059** | $ 26,615 |
| Trade receivables, net | **98,797** | 96,258 |
| Inventories, net | **95,863** | 77,075 |
| Other | **23,501** | 18,076 |
| Total current assets | **241,220** | 218,024 |
| Plant, property and equipment, net | **32,906** | 27,593 |
| Other assets | **16,279** | 14,032 |
| | **$290,405** | $259,649 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Loans payable to banks | **$ 8,800** | $ 13,500 |
| Current portion of long-term debt | **5,000** | 5,000 |
| Accounts payable | **28,819** | 17,562 |
| Accrued liabilities | **28,157** | 19,065 |
| Current taxes payable | **12,677** | 2,013 |
| Deferred taxes payable | **3,130** | 3,419 |
| Total current liabilities | **86,583** | 60,559 |
| Long-term debt | **40,000** | 45,000 |
| Deferred and noncurrent foreign income taxes | **3,517** | 5,105 |
| Other liabilities | **835** | 1,170 |
| Total liabilities | **130,935** | 111,834 |
| Commitments and contingencies (Note 10) | | |
| 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; 9,600,435 and 9,496,529 shares issued, respectively | **96** | 95 |
| Class A Common Stock, $0.01 par value, 10,000,000 shares authorized; 3,509,733 and 3,509,733 shares issued and outstanding, respectively | **35** | 35 |
| Capital in excess of par value | **67,242** | 66,113 |
| Retained earnings | **138,176** | 118,615 |
| Accumulated other comprehensive income | **(18,169)** | (16,462) |
| Treasury stock, 1,556,670 and 920,690 shares at cost, respectively | **(27,910)** | (20,581) |
| Total shareholders' equity | **159,470** | 147,815 |
| | **$290,405** | $259,649 |

*See Notes to Consolidated Financial Statements*

## Consolidated Statements of Cash Flows

| *(in thousands)* | Fiscal Year Ended January 31, 2001 | 2000 | 1999 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income | **$20,767** | $13,721 | $20,973 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | **6,341** | 5,189 | 5,380 |
| Deferred and noncurrent foreign income taxes | **(1,342)** | (1,636) | 1,764 |
| Provision for losses on accounts receivable | **2,083** | 1,077 | 1,304 |
| Provision for losses on inventory | **1,710** | 7,263 | — |
| Gain on disposition of business | **—** | (4,752) | — |
| Changes in current assets and liabilities: | | | |
| Trade receivables | **(4,831)** | 2,469 | (24,693) |
| Inventories | **(20,043)** | 14,609 | (19,925) |
| Other current assets | **(3,383)** | (6,269) | (1,265) |
| Accounts payable | **11,142** | (7,004) | 4,108 |
| Accrued liabilities | **9,322** | 4,464 | 3,352 |
| Deferred and current taxes payable | **9,800** | (2,532) | 229 |
| Other noncurrent assets | **(5,960)** | 2,305 | (314) |
| Other noncurrent liabilities | **(335)** | (629) | (29) |
| Net cash provided by (used in) operating activities | **25,271** | 28,275 | (9,116) |
| Cash flows from investing activities: | | | |
| Capital expenditures | **(10,833)** | (10,125) | (11,707) |
| Proceeds from disposition of business | **—** | 28,409 | — |
| Goodwill, trademarks and other intangibles | **(852)** | (755) | (1,835) |
| Sale of subsidiary | **—** | — | 2,646 |
| Net cash (used in) provided by investing activities | **(11,685)** | 17,529 | (10,896) |
| Cash flows from financing activities: | | | |
| Repayment of Senior Notes | **(5,000)** | (10,000) | (5,000) |
| Proceeds from issuance of Series A Senior Notes | **—** | — | 25,000 |
| Net (payment of) proceeds from current bank borrowings | **(4,700)** | 6,300 | 2,200 |
| Principal payments under capital leases | **—** | (69) | (387) |
| Stock options exercised | **840** | 499 | 627 |
| Dividends paid | **(1,206)** | (1,247) | (1,026) |
| Purchase of treasury stock | **(7,329)** | (17,593) | (2,860) |
| Net cash (used in) provided by financing activities | **(17,395)** | (22,110) | 18,554 |
| Effect of exchange rate changes on cash | **253** | (2,705) | (3,790) |
| Net (decrease) increase in cash | **(3,556)** | 20,989 | (5,248) |
| Cash at beginning of year | **26,615** | 5,626 | 10,874 |
| Cash at end of year | **$23,059** | $26,615 | $ 5,626 |

*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, 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) |
| Net income | | | | | 20,767 | | |
| Dividends ($0.105 per share) | | | | | (1,206) | | |
| Stock options exercised, net of tax benefit | | 1 | | 1,129 | | | |
| Common stock repurchased | | | | | | | (7,329) |
| Foreign currency translation adjustment | | | | | | (1,707) | |
| **Balance, January 31, 2001** | **—** | **$96** | **$35** | **$67,242** | **$138,176** | **$(18,169)** | **$(27,910)** |

*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 2001, the Company marketed four distinctive brands of watches: Movado, Concord, ESQ, and Coach, which compete in most segments of the watch market.

The Company designs and manufactures Concord and Movado watches primarily through its subsidiaries and third party contract assemblers 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, through a wholly owned domestic subsidiary, the Company sells Movado watches, Movado jewelry, tabletop accessories and other product line extensions within the Movado brand directly to consumers in its Movado Boutiques. Another of the Company's domestic subsidiaries also operates a number of Movado outlet stores throughout the United States, through which it 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. Foreign currency translation gains and losses are reflected in the equity section of the Company's consolidated balance sheet in accumulated other comprehensive income.

### Trade receivables

The Company's trade customers include department stores, jewelry store chains and independent jewelers. Movado and Concord watches are also marketed outside the U.S. through a network of independent distributors. Accounts receivable are stated net of allowances for doubtful accounts of $4,442,000 and $3,604,000 at January 31, 2001 and 2000, respectively. The Zale Corporation accounted for 10%, 13%, and

10% of the Company's consolidated net sales in fiscal 2001, 2000 and 1999, respectively. At January 31, 2001 and 2000, the same trade customer accounted for 13% and 18% 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**

Property and equipment are stated at cost less accumulated depreciation. 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. Computer software costs related to the development of major systems are capitalized as incurred and are amortized over their useful lives. Maintenance and repair costs are charged to earning while expenditures for major renewals and improvements are capitalized. Upon the disposition of plant, property and equipment, the accumulated depreciation is deducted from the original cost and any gain or loss is reflected in current earnings.

**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, 2001 and 2000, goodwill and other intangible assets at cost were $5,251,000 and $4,358,000, respectively, and related accumulated amortization of goodwill and other intangibles was $1,549,000 and $1,068,000, respectively.

**Revenue Recognition**

Sales are recognized upon transfer of title or, in the case of retail sales, at the time of register receipt.

Allowances for estimated returns and sales discounts are provided when sales are recorded.

#### Pre-opening Costs

Costs associated with the opening at new retail and outlet stores is expensed in the period incurred.

#### Advertising

The Company expenses the production costs of an advertising campaign at the commencement date of the advertising campaign. Advertising expenses for fiscal 2001, 2000 and 1999, amounted to $62.3 million, $61.8 million and $53.8 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, 2001 and 2000 were $1,812,000 and $1,905,000, 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 11,651,000, 12,527,000 and 12,842,000 for fiscal 2001, 2000 and 1999, respectively. For diluted earnings per share, these amounts were increased by 215,000, 363,000 and 414,000 in fiscal 2001, 2000 and 1999, 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 2001. Share repurchases under the repurchase program amounted to $7.3 million, $17.6 million and $0.6 million in fiscal 2001, 2000 and 1999, respectively. As of January 31, 2001, the Company had authorization to repurchase shares up to an additional $4.5 million against an aggregate authorization of $30 million.

During fiscal 1999, the Company repurchased $2.3 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**

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which is effective for the company as of February 1, 2001. SFAS 133 requires that an entity recognizes all derivatives as either assets or liabilities measured at fair value. Changes in derivative fair values will either be recognized in earnings as offsets to the changes in fair value of related hedged assets, liabilities and firm commitments or, for forecasted transactions, deferred and recorded as a component of other stockholders' equity until the hedged transactions occur and are recognized in earnings. The ineffective portion of a hedging derivative's change in fair value will be immediately recognized in earnings. Adoption of this statement is not expected to materially impact the Company's financial statements.

In December 1999, the Securities and Exchange Commission, "SEC", issued Staff Accounting Bulletin No. 101, "SAB 101", "Revenue Recognition in Financial Statements." SAB 101 summarizes certain of the SEC's views in applying accounting principles generally accepted in the United States to revenue recognition in financial statements. The Company adopted the guidence of this bulletin during fiscal 2001, which had no material impact on the Company's revenue recognition policy.

**Reclassification**

Certain prior year amounts have been reclassified to conform to the fiscal 2001 presentation.

### Note 2. Inventories

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

| | January 31, 2001 | January 31, 2000 |
|---|---|---|
| Finished goods | **$60,909** | $50,565 |
| Component parts | **30,942** | 25,473 |
| Work-in-process | **4,012** | 1,037 |
| | **$95,863** | $77,075 |

### Note 3. Plant, Property and Equipment

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

| | 2001 | 2000 |
|---|---|---|
| Furniture and equipment | **$44,705** | $40,820 |
| Leasehold improvements | **15,579** | 11,026 |
| | **60,284** | 51,846 |
| Less: accumulated depreciation | **(27,378)** | (24,253) |
| | **$32,906** | $27,593 |

Depreciation and amortization for fiscal 2001, 2000 and 1999 was $5,732,000, $4,701,000 and $4,820,000, respectively.

### Note 4. Bank Credit Arrangements and Lines of Credit

The Company's revolving credit facility with its domestic bank group was entered into in June 2000 to provide for a three-year $100.0 million unsecured revolving line of credit which replaced a three-year $90.0 million unsecured facility dated July 1997. In addition, certain members within the bank group provided for $15.0 million and $31.6 million of uncommitted working capital lines of credit at January 31, 2001 and 2000, respectively. The renewed 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 including an interest coverage ratio and certain restrictions that limit the Company on the sale, transfer or distribution of corporate assets, including dividends and limit the amount of debt outstanding. The Company was in compliance with these restrictions and covenants at January 31, 2001 and 2000. The domestic unused line of credit was $106.2 million and $108.1 million at January 31, 2001 and 2000, 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 11.3 million Swiss francs and 10.0 million Swiss francs, with dollar equivalents of approximately $6.9 million and $6.0 million at January 31, 2001 and 2000, of which a maximum of $5.0 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, 2001 and 2000. 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 $8.8 million at January 31, 2001 and $13.5 million at January 31, 2000. Aggregate maximum and average monthly outstanding borrowings against the Company's lines of credit and related weighted average interest rates during fiscal 2001, 2000 and 1999 were as follows *(in thousands)*:

| | Fiscal Year Ended January 31, | | |
|---|---|---|---|
| | **2001** | 2000 | 1999 |
| Maximum borrowings | **$51,850** | $61,900 | $70,900 |
| Average monthly borrowings | **$31,622** | $40,290 | $41,229 |
| Weighted average interest rate | **8.2%** | 6.3% | 6.9% |

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

### Note 5. Long-Term Debt

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

| | **2001** | 2000 |
|---|---|---|
| Senior Notes | **$20,000** | $25,000 |
| Series A Senior Notes | **25,000** | 25,000 |
| | **45,000** | 50,000 |
| Less current portion | **5,000** | 5,000 |
| Long-term debt | **$40,000** | $45,000 |

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. Accordingly, such amounts have been classified as a current liability in fiscal 2001 and 2000. 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.

On March 21, 2001 the Company entered into a New Note Purchase and Private Shelf Agreement which allows for the issuance for up to three years after the date thereof, of senior promissory notes in the aggregate principal amount of up to $40.0 million with maturities up to 12 years from their original date of issuance.

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, 2001 and 2000.

## Note 6. Foreign Currency Management

A substantial portion of the Company's watches and watch components are sourced from affiliated and non-affiliated 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, 2001 and 2000. Foreign currency forward contracts included below mature within one year. Currency option contracts at January 31, 2001 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, | | | |
|---|---|---|---|---|
| | **2001** | | 2000 | |
| | Contract Amounts | Fair Values | Contract Amounts | Fair Values |
| Foreign Currency Forward Contracts | **$67,477** | **$67,602** | $47,287 | $42,732 |
| Purchased Options | **$27,202** | **$1,340** | $94,105 | $1,638 |

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, 2001 and 2000, the payable to banks recorded in current liabilities associated with closed contract positions was $681,000 and $1,795,000, 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 $0.6 million and $2.7 million at January 31, 2001 and 2000, respectively. These amounts were included in other current assets on the accompanying balance sheets.

### Note 7. 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 99% and 95% of the carrying value of the notes, respectively, as of January 31, 2001. 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 8. Income Taxes

The provision for income taxes for the fiscal years ended January 31, 2001, 2000 and 1999 consists of the following components *(in thousands)*:

| | **2001** | 2000 | 1999 |
|---|---|---|---|
| Current: | | | |
| U.S. Federal | **$3,124** | $— | $1,500 |
| U.S. State and Local | **498** | 11 | 444 |
| Non-U.S. | **2,607** | 1,043 | 1,888 |
| | **6,229** | 1,054 | 3,832 |
| Noncurrent: | | | |
| U.S. Federal | **—** | — | — |
| U.S. State and Local | **—** | — | — |
| Non-U.S. | **1,674** | 1,785 | 1,924 |
| | **1,674** | 1,785 | 1,924 |
| Deferred: | | | |
| U.S. Federal | **(1,948)** | (1,518) | (750) |
| U.S. State and Local | **(385)** | — | — |
| Non-U.S. | **1,352** | 107 | 1,259 |
| | **(981)** | (1,411) | 509 |
| Provision for income taxes | **$6,922** | $1,428 | $6,265 |

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, 2001 and 2000 consist of the following *(in thousands)*:

| | **2001 Deferred Tax** | | 2000 Deferred Tax | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Operating loss carry forwards | **$1,596** | **$ —** | $2,706 | $ — |
| Rent accrual | **143** | **—** | 291 | — |
| Inventory reserve | **2,225** | **3,502** | 894 | 5,340 |
| Receivable allowance | **2,183** | **2,862** | 1,054 | 1,278 |
| Depreciation/amortization | **1,628** | **—** | 1,089 | — |
| Other | **2,352** | **—** | 1,355 | — |
| | **10,127** | **6,364** | 7,389 | 6,618 |
| Valuation allowance | **(1,383)** | **—** | (1,439) | — |
| Total | **$8,744** | **$6,364** | $5,950 | $6,618 |

As of January 31, 2001, the Company had foreign net operating loss carryforwards of approximately $3.5 million, which are available to offset taxable income in future years. As of January 31, 2001, the Company maintained a valuation allowance with respect to the tax benefit of certain foreign net operating loss carryforwards. 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, | | |
|---|---|---|---|
| | **2001** | 2000 | 1999 |
| Provision for income taxes at the U.S. statutory rate | **$9,691** | $5,311 | $ 9,533 |
| Lower effective foreign income tax rate | **(3,621)** | (3,362) | (3,685) |
| Change in valuation allowance | **(56)** | (1,221) | — |
| Tax provided on repatriated earnings of foreign subsidiaries | **265** | 238 | 252 |
| State and local taxes, net of federal benefit | **113** | 8 | 134 |
| Other, net | **530** | 454 | 31 |
| | **$6,922** | $1,428 | $6,265 |

In fiscal 2001, the Company recognized a tax benefit of $1,083 from realization of domestic and certain foreign net operating loss carryforwards.

No provision has been made for taxes on foreign subsidiaries' undistributed earnings of approximately $155 million at January 31, 2001, as those earnings are considered to be reinvested for an indefinite period.

## Note 9. 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 $741,000 per annum). Under the agreement, the trust will repay the loans from the proceeds of the policy. The Company had loaned approximately $3.8 million and $3.1 million under this agreement at January 31, 2001 and 2000, respectively.

### Note 10. Leases, Commitments and Contingencies

The Company leases office, distribution, retail and manufacturing facilities and office equipment under operating leases, which expire at various dates through July 2013. Certain of the leases provide for renewal options and escalation clauses for real estate taxes and other occupancy costs. Rent expense for equipment and distribution, factory and office facilities under operating leases was approximately $9.4 million, $6.6 million and $5.5 million in fiscal 2001, 2000 and 1999, respectively. Minimum annual rentals at January 31, 2001 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)*: |
|---|---|
| 2002 | $8,488 |
| 2003 | 5,856 |
| 2004 | 4,874 |
| 2005 | 4,436 |
| 2006 | 3,268 |
| Thereafter | 11,883 |
| | $38,805 |

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 11. 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 $528,000, $556,000 and $430,000 in fiscal 2001, 2000 and 1999, 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 2001, 2000 and 1999, the Company recorded an expense related to the SERP of approximately $381,000, $640,000 and $338,000, 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 2001, 2000 and 1999 the Company recorded an expense of $80,000, $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 $120,000, $110,000 and $101,000 for fiscal 2001, 2000 and 1999, 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 1998 are summarized as follows:

| | Outstanding Options | Weighted Average Exercise Price |
|---|---|---|
| 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 granted | 244,050 | 8.72 |
| Options exercised | (103,387) | 8.15 |
| Options forfeited | (82,779) | 18.86 |
| **January 31, 2001** | **1,614,301** | **$15.09** |

Options exercisable at January 31, 2001, 2000 and 1999 were 813,587, 701,814 and 538,216 respectively.

The weighted-average fair value of each option grant estimated on the date of grant using the Black-Scholes option-pricing model is $4.72, $11.18 and $13.34 per share in fiscal 2001, 2000 and 1999, respectively. The following weighted-average assumptions were used for grants in 2001, 2000 and 1999: dividend yield of 0.86% for fiscal 2001, 0.45% for fiscal 2000 and 0.3% for fiscal 1999; expected volatility of 48% for fiscal 2001, 40% for fiscal 2000 and 45% for fiscal 1999, risk-free interest rates of 6.67% for fiscal 2001, 6.75% for fiscal 2000 and 4.7% for fiscal 1999 and expected lives of seven years for fiscal 2001, 2000 and 1999.

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 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 2001, 2000 and 1999 would approximate the pro forma amounts below
*(in thousands except per share data)*:

| | **2001** | | 2000 | | 1999 | |
|---|---|---|---|---|---|---|
| | As Reported | Pro Forma | As Reported | Pro Forma | As Reported | Pro Forma |
| Net Income | **$20,767** | **$19,135** | $13,721 | $12,216 | $20,973 | $19,856 |
| Net Income per share-Basic | **$ 1.78** | **$ 1.64** | $ 1.10 | $ 0.98 | $ 1.63 | $ 1.55 |
| Net Income per share-Diluted | **$ 1.75** | **$ 1.61** | $ 1.06 | $ 0.95 | $ 1.58 | $ 1.50 |

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, 2001:

| 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 | 765,545 | 5.2 | $ 8.53 | 486,906 | $ 8.39 |
| $10.00-$14.99 | 207,756 | 5.7 | $13.16 | 140,871 | $13.17 |
| $15.00-$19.99 | 24,500 | 7.9 | $15.87 | 8,800 | $16.16 |
| $20.00-$24.99 | 439,950 | 8.5 | $22.41 | 99,090 | $22.49 |
| $25.00-$29.75 | 176,550 | 6.9 | $27.44 | 77,920 | $27.39 |
| $5.00-$29.75 | 1,614,301 | 6.4 | $15.09 | 813,587 | $12.84 |

## Note 12. 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 evaluate 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.

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) | | |
|---|---|---|---|---|---|---|
| | **2001** | 2000 | 1999 | **2001** | 2000 | 1999 |
| Wholesale | **$275,865** | $256,081 | $245,783 | **$38,238** | $14,187 | $34,631 |
| Other | **44,976** | 38,986 | 32,053 | **(1,735)** | 127 | (1,597) |
| Elimination [(1)] | **—** | — | — | **(2,371)** | 1,455 | (359) |
| Consolidated total | **$320,841** | $295,067 | $277,836 | **$34,132** | $15,769 | $32,675 |

| | Total Assets | | | Capital Expenditures | | |
|---|---|---|---|---|---|---|
| | **2001** | 2000 | 1999 | **2001** | 2000 | 1999 |
| Wholesale | **$238,278** | $207,232 | $261,395 | **$ 8,167** | $ 7,917 | $ 6,368 |
| Other | **29,068** | 25,802 | 29,354 | **2,191** | 1,520 | 5,226 |
| Corporate [(2)] | **23,059** | 26,615 | 5,626 | **475** | 688 | 113 |
| Consolidated total | **$290,405** | $259,649 | $296,375 | **$10,833** | $10,125 | $11,707 |

| | Depreciation and Amortization | | |
|---|---|---|---|
| | **2001** | 2000 | 1999 |
| Wholesale | **$4,460** | $3,396 | $4,515 |
| Other | **1,198** | 966 | 298 |
| Corporate | **683** | 827 | 567 |
| Consolidated total | **$6,341** | $5,189 | $5,380 |

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

| | Net Sales | | | Long-Lived Assets | | |
|---|---|---|---|---|---|---|
| | **2001** | 2000 | 1999 | **2001** | 2000 | 1999 |
| Domestic | **$288,443** | $267,160 | $245,865 | **$18,483** | $16,534 | $17,222 |
| International | **218,379** | 209,217 | 199,060 | **14,423** | 11,059 | 5,776 |
| Elimination [3] | **(185,981)** | (181,310) | (167,089) | — | — | — |
| Consolidated total | **$320,841** | $295,067 | $277,836 | **$32,906** | $27,593 | $22,998 |

| | Income (Loss) before Taxes | | |
|---|---|---|---|
| | **2001** | 2000 | 1999 |
| Domestic | **$ 4,647** | $(8,987) | $ 2,096 |
| International | **26,399** | 23,780 | 25,501 |
| Elimination [3] | **(3,357)** | 356 | (359) |
| Consolidated total | **$27,689** | $ 15,149 | $27,238 |

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

**Note 13. Quarterly Financial Data (Unaudited)**

The following table presents unaudited selected interim operating results of the Company for fiscal 2001 and 2000 *(in thousands, except per share amounts)*:

| | Quarter Ended | | | |
|---|---|---|---|---|
| | 1st | 2nd | 3rd | 4th |
| **Fiscal 2001** | | | | |
| Net sales | $53,339 | $76,173 | $105,122 | $86,207 |
| Gross profit | $32,041 | $45,786 | $65,195 | $54,429 |
| Net income | $(173) | $4,730 | $12,557 | $3,653 |
| Per share: | | | | |
| Net income (loss): | | | | |
| Basic | $(0.01) | $0.41 | $1.09 | $0.32 |
| Diluted | $(0.01) | $0.40 | $1.07 | $0.31 |
| 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: | | | | |
| Basic | $0.34 | $0.35 | $1.10 | ($0.70) |
| Diluted | $0.33 | $0.34 | $1.07 | ($0.68) |

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 14. 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, | | |
|---|---|---|---|
| | **2001** | 2000 | 1999 |
| Cash paid during the year for: | | | |
| Interest | **$6,634** | $7,559 | $5,274 |
| Income taxes | **$2,992** | $7,079 | $4,585 |

## *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 four 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.:

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, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, 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 our opinion.

PricewaterhouseCoopers LLP

Florham Park, New Jersey
March 23, 2001

## *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, | | | | |
|---|---|---|---|---|---|
| | **2001** | 2000 | 1999 | 1998 | 1997 |
| **Statement of income data:** | | | | | |
| Net sales | **$320,841** | $295,067 | $277,836 | $237,005 | $215,107 |
| Cost of sales | **123,392** | 126,667 | 111,766 | 97,456 | 95,031 |
| Selling, general and administrative | **163,317** | 152,631 | 133,395 | 113,593 | 99,657 |
| Total expenses | **286,709** | 279,298 | 245,161 | 211,049 | 194,688 |
| Operating income | **34,132** | 15,769 | 32,675 | 25,956 | 20,419 |
| Gain on disposition of business | | 4,752 | | | |
| Net interest expense | **6,443** | 5,372 | 5,437 | 5,383 | 4,874 |
| Income before income taxes | **27,689** | 15,149 | 27,238 | 20,573 | 15,545 |
| Provision for income taxes | **6,922** | 1,428 | 6,265 | 4,731 | 3,853 |
| Net income [1] | **$ 20,767** | $ 13,721 | $ 20,973 | $ 15,842 | $ 11,692 |
| Net income per share-Basic | **$ 1.78** | $ 1.10 | $ 1.63 | $ 1.35 | $ 1.04 |
| Net income per share-Diluted [1] | **$1.75** | $ 1.06 | $ 1.58 | $ 1.29 | $ 1.02 |
| Basic shares outstanding | **11,651** | 12,527 | 12,842 | 11,736 | 11,273 |
| Diluted shares outstanding | **11,866** | 12,890 | 13,256 | 12,236 | 11,489 |
| Cash dividends declared per share | **$ 0.105** | $ 0.10 | $ 0.08 | $ 0.08 | $ 0.064 |
| **Balance sheet data (end of period):** | | | | | |
| Working capital | **$154,637** | $157,465 | $191,033 | $157,103 | $126,690 |
| Total assets | **290,405** | 259,649 | 296,375 | 249,069 | 208,443 |
| Long-term debt | **40,000** | 45,000 | 55,000 | 35,000 | 40,000 |
| Shareholders' equity | **$159,470** | $147,815 | $162,608 | $145,533 | $ 13,870 |

[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 during 2000. Excluding these items, net income would have been $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 26, 2001, there were 46 holders of record of the Class A Common Stock and, the Company estimates, approximately 2,445 beneficial owners of the Common Stock represented by 410 holders of record. The Common Stock is traded on the NASDAQ National Market under the symbol "MOVA" and on March 26, 2001, the closing price of the Common Stock was $13.39. The quarterly high and low closing prices for the fiscal years ended January 31, 2001 and 2000 were as follows:

| | **Fiscal 2001** | | Fiscal 2000 | |
|---|---|---|---|---|
| Quarter Ended | Low | High | Low | High |
| April 30 | **$ 8.57** | **$19.08** | $20.75 | $25.75 |
| July 31 | **$ 7.70** | **$14.07** | $22.88 | $27.75 |
| October 31 | **$13.20** | **$17.31** | $21.63 | $27.13 |
| January 31 | **$11.50** | **$15.59** | $18.63 | $25.38 |

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

During the fiscal year ended January 31, 2001, the Board of Directors approved for each of the first three quarters a cash dividend of $0.025 per share and, for the fourth quarter, approved an increase of the quarterly cash dividend to $0.03 per share to Common Stock and Class A Common Stock shareholders. During the fiscal year ended January 31, 2000, the Board of Directors approved four $0.025 per share quarterly cash dividends to Common Stock and Class A Common Stock shareholders. 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 Company's profitability, financial condition, capital and surplus requirements, future prospects, terms of indebtedness and other factors deemed relevant by the Board of Directors. See Notes 4 and 5 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*

Kennith C. Johnson
*Senior Vice President - Finance and*
*Chief Financial Officer*

Frank V. Kimick
*Vice President-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,*
*Credit Suisse First Boston Corporation*

**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 19, 2001 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: Frank V. Kimick, *Vice President*-Treasurer
(201) 460-4800

*Design: Roessner & Co.*