MOVADO GROUP INC
Form 10-K
March 26, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For fiscal year ended January 31, 2013

OR

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

For the transition period from to

Commission File Number 1-16497

MOVADO GROUP, INC.

(Exact name of registrant as specified in its charter)

New York	**13-2595932**
(State or Other Jurisdiction	**(IRS Employer**
of Incorporation or Organization)	**Identification No.)**

650 From Road, Ste. 375

Paramus, New Jersey	**07652-3556**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s Telephone Number, Including Area Code: (201) 267-8000

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common stock, par value $0.01 per share	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ¨ No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨
Smaller reporting company ¨

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of July 31, 2012, was approximately $468,141,000 (based on the closing sale price of the registrant s Common Stock on that date as reported on the New York Stock Exchange). For purposes of this computation, each share of Class A Common Stock is assumed to have the same market value as one share of Common Stock into which it is convertible and only shares of stock held by directors and executive officers were excluded.

The number of shares outstanding of the registrant s Common Stock and Class A Common Stock as of March 19, 2013, were 18,807,729 and 6,632,967, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to registrant s 2013 annual meeting of shareholders (the Proxy Statement) are incorporated by reference in Part III hereof.

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FORWARD-LOOKING STATEMENTS

Statements in this annual report on Form 10-K, including, without limitation, statements under Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report, as well as statements in future filings by the Company with the Securities and Exchange Commission, in the Company s press releases and oral statements made by or with the approval of an authorized executive officer of the Company, which are not historical in nature, are intended to be, and are hereby identified as, forward-looking statements for purposes of the safe harbor provided by the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates, forecasts and projections about the Company, its future performance, the industry in which the Company operates and management s assumptions. Words such as expects , anticipates , targets , go projects , intends , plans , believes , seeks , estimates , may , will , should and variations of such expressions are also intended to identify such forward-looking statements. The Company cautions readers that forward-looking statements include, without limitation, those relating to the Company s future business prospects, projected operating or financial results, revenues, working capital, liquidity, capital needs, plans for future operations, expectations regarding capital expenditures and operating expenses, effective tax rates, margins, interest costs, and income as well as assumptions relating to the foregoing. Forward-looking statements are subject to certain risks and uncertainties, some of which cannot be predicted or quantified. Actual results and future events could differ materially from those indicated in the forward-looking statements, due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company s reports filed with the Securities and Exchange Commission (the SEC) including, without limitation, the following: general economic and business conditions which may impact disposable income of consumers in the United States and the other significant markets (including Europe) where the Company s products are sold, uncertainty regarding such economic and business conditions, trends in consumer debt levels and bad debt write-offs, general uncertainty related to possible terrorist attacks, natural disasters, the stability of the European Union and defaults on or downgrades of sovereign debt and the impact of any of those events on consumer spending, changes in consumer preferences and popularity of particular designs, new product development and introduction, competitive products and pricing, seasonality, availability of alternative sources of supply in the case of the loss of any significant supplier or any supplier s inability to fulfill the Company s orders, the loss of or curtailed sales to significant customers, the Company s dependence on key employees and officers, the ability to successfully integrate the operations of acquired businesses without disruption to other business activities, the continuation of licensing arrangements with third parties, the ability to secure and protect trademarks, patents and other intellectual property rights, the ability to lease new stores on suitable terms in desired markets and to complete construction on a timely basis, potential effects of economic and currency instability in Europe and countries using the Euro as their functional currency, the ability of the Company to successfully manage its expenses on a continuing basis, the continued availability to the Company of financing and credit on favorable terms, business disruptions, disease, general risks associated with doing business outside the United States including, without limitation, import duties, tariffs, quotas, political and economic stability, and success of hedging strategies with respect to currency exchange rate fluctuations.

These risks and uncertainties, along with the risk factors discussed under Item 1A Risk Factors in this annual report on Form 10-K, should be considered in evaluating any forward-looking statements contained in this report or incorporated by reference herein. All forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are qualified by the cautionary statements in this section. The Company

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undertakes no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this report.

Item 1. Business

GENERAL

In this Form 10-K, all references to the Company or Movado Group include Movado Group, Inc. and its subsidiaries, unless the context requires otherwise.

Movado Group, Inc. designs, sources, markets and distributes fine watches. Its portfolio of brands is currently comprised of Coach® Watches, Concord®, Ebel®, ESQ® Movado, Scuderia Ferrari® Watches, HUGO BOSS® Watches, Juicy Couture® Watches, Lacoste® Watches, Movado®, and Tommy Hilfiger® Watches. The Company is a leader in the design, development, marketing and distribution of watch brands sold in almost every major category comprising the watch industry.

The Company was incorporated in New York in 1967 under the name North American Watch Corporation to acquire Piaget Watch Corporation and Corum Watch Corporation, which had been, respectively, the exclusive importers and distributors of Piaget and Corum watches in the United States since the 1950 s. The Company sold its Piaget and Corum distribution businesses in 1999 and 2000, respectively, to focus on its own portfolio of brands. Since its incorporation, the Company has developed its brand-building reputation and distinctive image across an expanding number of brands and geographic markets. Strategic acquisitions of watch brands and their subsequent growth, along with license agreements, have played an important role in the expansion of the Company s brand portfolio.

In 1970, the Company acquired the Concord brand and the Swiss company that had been manufacturing Concord watches since 1908. In 1983, the Company acquired the U.S. distributor of Movado watches and substantially all of the assets related to the Movado brand from the Swiss manufacturer of Movado watches. The Company changed its name to Movado Group, Inc. in 1996. In March 2004, the Company completed its acquisition of Ebel, one of the world s premier luxury watch brands that was established in La Chaux-de-Fonds, Switzerland in 1911.

The Company is highly selective in its licensing strategy and chooses to enter into long-term partnerships with only powerful brands that are leaders in their respective businesses.

The following table sets forth the brands licensed by the Company and the year in which the Company launched each licensed brand for watches.

Brand	Licensor	Year Launched
ESQ	Hearst Communication, Inc.	1993
Coach	Coach, Inc.	1999
Tommy Hilfiger	Tommy Hilfiger Licensing LLC	2001
HUGO BOSS	HUGO BOSS Trade Mark Management GmbH & Co KG	2006
Juicy Couture	L.C. Licensing, Inc.	2007
Lacoste	Lacoste S.A., Sporloisirs S.A. and Lacoste Alligator S.A.	2007
Scuderia Ferrari	Ferrari S.p.A.	2013*

*The Company expects to make the first sales of Scuderia Ferrari watches in 2013.

The Company s common stock is traded on the NYSE under the trading symbol MOV.

RECENT DEVELOPMENTS

On March 12, 2012, the Company amended its Amended and Restated Loan and Security Agreement, dated as of July 17, 2009, as previously amended, with Bank of America, N.A. and Bank Leumi USA to extend its maturity to 2015, to reflect more favorable current market rate conditions and to modify certain terms.

On March 22, 2012, the Company entered into an exclusive worldwide license agreement with Ferrari S.p.A. to use certain well known trademarks of Ferrari including the S.F. and Prancing Horse device in shield, FERRARI OFFICIAL LICENSED PRODUCT and SCUDERIA FERRARI, in connection with the manufacture, advertising, merchandising, promotion, sale and distribution of watches with a suggested retail price not exceeding 1,500. The current term of the license is through December 31, 2017.

On March 23, 2012, the Company donated $3.0 million to the Movado Group Foundation, which consisted of $2.2 million in the form of shares of the Company s common stock issued out of treasury, and $0.8 million in cash. This expense was recorded in the fourth quarter of fiscal 2012.

On March 27, 2012, as a result of Movado Group s strong financial position in fiscal 2012, the Company s Board of Directors decided to increase the quarterly cash dividend to $0.05 per share, subject, in each quarter, to the Board s review of the Company s financial performance and other factors as determined by the Board.

On March 29, 2012, the Board of Directors approved the payment of a special cash dividend of $0.50 per share of the Company s outstanding common stock and class A common stock. This dividend was paid on May 15, 2012 to all shareholders of record on April 30, 2012.

On November 26, 2012, the Company donated $3.0 million to the Movado Group Foundation, which consisted of $2.7 million in the form of shares of the Company s common stock issued out of treasury, and $0.3 million in cash.

This expense was recorded in the fourth quarter of fiscal 2013.

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On November 27, 2012, the Board approved the payment of a cash dividend on December 21, 2012 in the amount of $0.05 per share of the Company s outstanding common stock and class A common stock held by shareholders of record as of the close of business on December 10, 2012.

On November 27, 2012, the Board of Directors approved the payment of a special cash dividend of $0.75 per share of the Company s outstanding common stock and class A common stock. This dividend was paid on December 21, 2012 to all shareholders of record on December 10, 2012.

On January 30, 2013, Movado Group, Inc. and Swico Limited, an English company (Swico), voluntarily terminated the joint venture agreement they had entered into on May 11, 2007 (the JV Agreement) relating to MGS Distribution Limited, an English company (MGS). Under the JV Agreement, the Company and Swico owned 51% and 49%, respectively, of the issued and outstanding shares of MGS which was formed to distribute the Company s licensed watch brands in the United Kingdom. The mutual agreement to terminate the JV Agreement was the result of the Company acquiring additional shares in MGS from Swico, thereby increasing its ownership interest in MGS to 90%. Henceforth the Company will manage MGS as a wholly owned subsidiary, with Swico continuing to provide logistical support and after-sale service for the brands distributed by MGS in the U.K. which, in addition to the Company s licensed brands, will now also include Movado and Ebel watches.

On March 20, 2013, the Board approved the payment of a cash dividend on April 16, 2013 in the amount of $0.05 per share of the Company s outstanding common stock and class A common stock held by shareholders of record as of the close of business on April 2, 2013. However, the decision of whether to declare any future cash dividend, including the amount of any such dividend and the establishment of record and payment dates, will be determined, in each quarter, by the Board of Directors, in its sole discretion.

On March 20, 2013, the Board approved a share repurchase program under which the Company may purchase up to $50 million of its outstanding common shares from time to time, depending on market conditions, share price and other factors. The authorization expires on January 31, 2016, and the Company may purchase shares of its common stock through open market purchases, block trades or otherwise. The shares will be purchased primarily to mitigate the dilutive impact of equity grants during the course of the next few years. Therefore, the Company does not expect the share repurchase program to have a significant impact on the weighted average of shares outstanding for fiscal 2014.

INDUSTRY OVERVIEW

The largest markets for watches are North America, Europe and Asia. The Company divides the watch market into six principal categories as set forth in the following table.

Market Category	Suggested Retail Price Range	Primary Category of Movado Group, Inc. Brands
Exclusive	$10,000 and over	-
Luxury	$2,000 to $9,999	Concord and Ebel
Accessible Luxury	$500 to $2,499	Movado
Moderate and Fashion	$75 to $500	ESQ, Coach, HUGO BOSS, Juicy Couture, Tommy Hilfiger,

		Scuderia Ferrari and Lacoste
Mass Market	Less than $75	-

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Exclusive Watches

Exclusive watches are usually made of precious metals, including 18 karat gold or platinum, and are often set with precious gems. These watches are primarily mechanical or quartz-analog watches. Mechanical watches keep time with intricate mechanical movements consisting of an arrangement of wheels, jewels and winding and regulating mechanisms. Quartz-analog watches have quartz movements in which time is precisely calibrated to the regular frequency of the vibration of quartz crystal. Exclusive watches are manufactured almost entirely in Switzerland. Well-known brand names of exclusive watches include Audemars Piguet, Patek Philippe, Piaget and Vacheron Constantin. The Company does not compete in the exclusive watch category.

Luxury Watches

Luxury watches are either quartz-analog watches or mechanical watches. These watches typically are made with either 14 or 18 karat gold, stainless steel or a combination of gold and stainless steel, ceramic and are occasionally set with precious gems. Luxury watches are primarily manufactured in Switzerland. In addition to a majority of the Company s Ebel and Concord watches, well-known brand names of luxury watches include Baume & Mercier, Breitling, Cartier, Omega, Rolex and TAG Heuer.

Accessible Luxury Watches

The majority of accessible luxury watches are quartz-analog watches. These watches typically are made with gold finish, stainless steel, ceramic or a combination of gold finish and stainless steel. Premium watches are manufactured primarily in Switzerland, although some are manufactured in Asia. In addition to a majority of the Company s Movado watches, well-known brand names of premium watches include Gucci, Rado, Michele and Raymond Weil.

Moderate and Fashion Watches

Most moderate and fashion watches are quartz-analog watches. Moderate and fashion watches are manufactured primarily in Asia and Switzerland. These watches typically are made with gold finish, stainless steel, brass, plastic or a combination of gold finish and stainless steel. In addition to the Company s ESQ, Coach, HUGO BOSS, Juicy Couture, Tommy Hilfiger and Lacoste brands, well-known brand names of watches in the moderate category include Anne Klein, Bulova, Citizen, Fossil, Guess, Seiko, Michael Kors, Swatch and Wittnauer.

Mass Market Watches

Mass market watches typically consist of digital watches and analog watches made from stainless steel, brass and/or plastic and are manufactured in Asia. Well-known brands include Casio, Pulsar, Seiko and Timex. The Company does not compete in the mass market watch category.

BRANDS

The Company designs, develops, sources, markets and distributes products under the following watch brands:

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Coach Watches

Coach Watches are an extension of the Coach leathergoods brand and reflect the Coach brand image. A distinctive American brand, Coach delivers stylish, aspirational, well-made products that represent excellent value. Coach watches are made with stainless steel, gold finish or a combination of stainless steel and gold finish with leather straps, stainless steel bracelets or gold finish bracelets.

Concord

Concord was founded in 1908 in Bienne, Switzerland. Concord watches have Swiss movements and are made with solid 18 karat gold, stainless steel or a combination of 18 karat gold and stainless steel.

Ebel

The Ebel brand was established in La Chaux-de-Fonds, Switzerland in 1911. Since acquiring Ebel, Movado Group has returned Ebel to its roots as the Architects of Time through its product development, marketing initiatives and global advertising campaigns. All Ebel watches feature Swiss movements and are made with solid 18 karat gold, stainless steel or a combination of 18 karat gold, rose gold, ceramic and stainless steel. The Company has designed new leadership products which were introduced late in fiscal 2013 to further Ebel s product positioning.

ESQ Movado

ESQ competes in the entry level Swiss watch category and is defined by bold sport and fashion designs. In fiscal 2010, the Company began to market the brand as ESQ by Movado. In fiscal 2013, the Company began to market the brand as ESQ Movado. All ESQ watches contain Swiss movements and are made with stainless steel, gold finish or a combination of stainless steel and gold finish, with leather straps, stainless steel bracelets or gold finish bracelets.

Scuderia Ferrari Watches

Asserting Scuderia Ferrari s proud racing heritage and Italian pedigree, Movado Group s Scuderia Ferrari watch collection for men and women brings the unparalleled excitement and distinctive style of the time honored racing team to fans around the world. The collection will begin selling early fiscal 2014.

HUGO BOSS Watches

HUGO BOSS is a global market leader in the world of fashion. The HUGO BOSS watch collection is an extension of the parent brand and includes classy, sporty, elegant and fashion timepieces with distinctive features, giving this collection a strong and coherent identity.

Juicy Couture Timepieces

Juicy Couture is a lifestyle brand that delivers sophisticated, yet fun fashion for women, men and children. Juicy Couture timepieces reflect the brand s clear vision, unique identity in the upscale contemporary category, encompassing both trend-right and core styling contemporary watches.

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Lacoste Watches

The Lacoste watch collection embraces the Lacoste lifestyle proposition which encompasses elegance, refinement and comfort, as well as a dedication to quality and innovation. Mirroring key attributes of the Lacoste brand, the collection features stylish timepieces with a contemporary sport elegant feel.

Movado

Founded in 1881 in La Chaux-de-Fonds, Switzerland, Movado is an icon of modern design. Today the brand includes a line of watches, inspired by the simplicity of the Bauhaus movement, including the world famous Movado Museum watch and a number of other watch collections with more traditional dial designs. The design for the Movado Museum watch was the first watch design chosen by the Museum of Modern Art for its permanent collection. It has since been honored by other museums throughout the world. The Movado brand also includes Series 800, a sport watch collection that incorporates Movado quality and craftsmanship with the characteristics of a true sport watch as well as Movado BOLD, an innovative collection introduced in late fiscal 2011, manufactured from high-tech composite materials and priced to be accessible to a more fashion-forward youthful customer. Movado watches have Swiss movements and are made with 14 or 18 karat gold, 18 karat gold finish, stainless steel, ceramic or a combination of 18 karat gold finish and stainless steel.

Tommy Hilfiger Watches

Reflecting the fresh, fun all-American style for which Tommy Hilfiger is known, Tommy Hilfiger watches feature quartz, digital or analog-digital movements, with stainless steel, titanium, aluminum, silver-tone, two-tone or gold-tone cases and bracelets, and leather, fabric, plastic or rubber straps. The line includes fashion and sport models.

DESIGN AND PRODUCT DEVELOPMENT

The Company s offerings undergo two phases before they are produced for sale to customers: design and product development. The design phase includes the creation of artistic and conceptual renderings while product development involves the construction of prototypes. The Company s Movado BOLD, ESQ and licensed brands are designed by in-house design teams in Switzerland and the United States in cooperation with outside sources, including (in the case of the licensed brands except for ESQ) licensors design teams. Product development for the licensed brands, ESQ and Movado BOLD takes place in the Company s Asia operations. For the Company s Movado (with the exception of Movado BOLD), Ebel and Concord brands, the design phase is performed by a combination of in-house and freelance designers in Europe and the United States while product development is carried out in the Company s Swiss operations. Senior management of the Company is actively involved in the design and product development process.

MARKETING

The Company s marketing strategy is to communicate a consistent, brand-specific message to the consumer. Recognizing that advertising is an integral component to the successful marketing of its product offerings, the Company devotes significant resources to advertising and, since 1972, has maintained its own in-house advertising department which focuses primarily on the implementation and management of global marketing and advertising strategies for each of the Company s brands, ensuring consistency of presentation. The Company utilizes outside agencies for the creative development of

advertising campaigns which are developed individually for each of the Company s brands and are directed primarily to the end consumer rather than to trade customers. The Company s advertising targets consumers with particular demographic characteristics appropriate to the image and price range of each brand. Most Company advertising is placed in magazines and other print media but some is also created for radio and television campaigns, online, catalogs, outdoor and other promotional materials. Marketing expenses, which increased in dollars each year, totaled 13.5%, 13.7% and 15.4% of net sales in fiscal 2013, 2012 and 2011, respectively.

OPERATING SEGMENTS

The Company conducts its business primarily in two operating segments: Wholesale and Retail. For operating segment data and geographic segment data for the years ended January 31, 2013, 2012 and 2011, see Note 14 to the Consolidated Financial Statements regarding Segment Information.

The Company s wholesale segment includes the design, development, sourcing, marketing and distribution of high quality watches, unallocated corporate expenses, in addition to after-sales service activities and shipping. The retail segment includes the Company s outlet stores and, until February 14, 2012, also included the Movado brand flagship store located at Rockefeller Center in New York City. Effective February 14, 2012 the Movado brand flagship store located at Rockefeller Center in New York City closed, as the Company did not renew its lease.

The Company divides its business into two major geographic locations: United States operations, and International, which includes the results of all other Company operations. The allocation of geographic revenue is based upon the location of the customer. The Company s international operations are principally conducted in Europe, the Americas (excluding U.S.), Asia and the Middle East which account for 17.1%, 12.0%, 9.4% and 7.3%, respectively, of the Company s total net sales for fiscal 2013. Substantially all of the Company s international assets are located in Switzerland.

Wholesale

United States Wholesale

The Company sells all of its brands in the U.S. wholesale market primarily to major jewelry store chains such as Helzberg Diamonds Corp., Sterling, Inc. and Zale Corporation; department stores, such as Macy s, and Nordstrom, as well as independent jewelers. Sales to trade customers in the United States are made directly by the Company s U.S. sales force and, to a lesser extent, independent sales representatives. Sales representatives are responsible for a defined geographic territory, specialize in a particular brand and sell to and service independent jewelers within their territory. The sales force also consists of account executives and account representatives who, respectively, sell to and service chain and department store accounts.

International Wholesale

Internationally, the Company s brands are sold in department stores such as El Cortes Ingles in Spain and Galeries Lafayette in France, jewelry chain stores such as Christ in Switzerland and Germany and independent jewelers. The Company employs its own international sales force operating at the Company s sales and distribution offices in Canada, China, France, Germany, Hong Kong, Singapore, Switzerland, the United Kingdom and the United Arab Emirates. In addition, the Company sells all of its brands other than ESQ through a network of independent distributors operating in numerous countries around the world. Distribution of ESQ watches, which outside of the United States are sold primarily in

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Canada and the Caribbean, is handled by the Company s Canadian subsidiary and Caribbean based sales teams. A majority of the Company s arrangements with its international distributors are long-term, generally require certain minimum purchases and minimum advertising expenditures and restrict the distributor from selling competitive products.

In France and Germany, the Company s licensed brands are marketed and distributed by subsidiaries of a joint venture company owned 51% by the Company and 49% by Financiere TWC SA (TWC), a French company with established distribution, marketing and sales operations in France and Germany. The terms of the joint venture agreement include financial performance measures which, if not attained, give either party the right to terminate the agreement by the following April 30th after the tenth year (January 31, 2016); restrictions on the transfer of shares in the joint venture company; and a buy out right whereby the Company can purchase all of TWC s shares in the joint venture company as of July 1, 2016 and every fifth anniversary thereafter at a pre-determined price.

In the UK, the Company signed a joint venture agreement (the JV Agreement) on May 11, 2007, with Swico Limited (Swico), an English company with established distribution, marketing and sales operations in the UK. Swico had been the Company s exclusive distributor of HUGO BOSS watches in the UK since 2005. Under the JV Agreement, the Company and Swico controlled 51% and 49%, respectively, of MGS Distribution Limited, an English company (MGS) responsible for the marketing, distribution and sale in the UK of the Company s licensed brands. On January 30, 2013, a mutual agreement was reached by the Company and Swico to terminate the JV Agreement. This resulted in the Company acquiring additional shares in MGS from Swico, thereby increasing its ownership interest in MGS to 90%. Henceforth the Company will manage MGS as a wholly owned subsidiary, with Swico continuing to provide logistical support and after-sale service for the brands distributed by MGS in the U.K. which, in addition to the Company s licensed brands, will now also include Movado and Ebel watches.

Retail

The Company s subsidiary, Movado Retail Group, Inc., operates 34 outlet stores located in outlet centers across the United States, which serve as an effective vehicle to sell discontinued models and factory seconds of all of the Company s watches. Until February 14, 2012, the Company operated a Movado brand flagship store, located at Rockefeller Center in New York City, which was merchandised with select models of Movado watches. That store closed, as the Company did not renew its lease.

SEASONALITY

The Company s U.S. sales are traditionally greater during the Christmas and holiday season. Consequently, the Company s net sales historically have been higher during the second half of a fiscal year. The amount of net sales and operating profit generated during the second half of each fiscal year depends upon the general level of retail sales during the Christmas and holiday season, as well as economic conditions and other factors beyond the Company s control. Major selling seasons in certain international markets center on significant local holidays that occur in late winter or early spring. The second half of each year accounted for 56.1%, 56.6%, and 58.6% of the Company s net sales for the fiscal years ended January 31, 2013, 2012, and 2011, respectively.

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BACKLOG

At March 14, 2013, the Company had unfilled orders of $35.7 million compared to $31.5 million at March 15, 2012 and $32.1 million at March 25, 2011. Unfilled orders include both confirmed orders and orders the Company believes will be confirmed based on the historic experience with the customers. It is customary for many of the Company s customers not to confirm their future orders with formal purchase orders until shortly before their desired delivery dates.

CUSTOMER SERVICE, WARRANTY AND REPAIR

The Company assists in the retail sales process of its wholesale customers by monitoring their sales and inventories by product category and style. The Company also assists in the conception, development and implementation of customers marketing vehicles. The Company places considerable emphasis on cooperative advertising programs with its retail customers. The Company s retail sales process has resulted in close relationships with its principal customers, often allowing for influence on the mix, quantity and timing of their purchasing decisions. The Company believes that customers familiarity with its sales approach has facilitated, and should continue to facilitate, the introduction of new products through its distribution network.

The Company permits the return of damaged or defective products. In addition, although the Company has no obligation to do so, it accepts other returns from customers in certain instances.

The Company has service facilities around the world including seven Company-owned service facilities and independent service centers which are authorized to perform warranty repairs. A list of authorized service centers can be accessed online at www.mgiservice.com. In order to maintain consistency and quality at its service facilities and authorized independent service centers, the Company conducts training sessions and distributes technical information and updates to repair personnel. All watches sold by the Company come with limited warranties covering the movement against defects in material and workmanship for periods ranging from two to three years from the date of purchase, with the exception of Tommy Hilfiger watches, for which the warranty period is ten years. In addition, the warranty period is five years for the gold plating on certain Movado watch cases and bracelets. Products that are returned under warranty to the Company are generally serviced by the Company s employees at its service facilities.

The Company retains adequate levels of component parts to facilitate after-sales service of its watches for an extended period of time after the discontinuance of such watches.

The Company makes available a web-based system at www.mgiservice.com providing immediate access for the Company s retail partners to the information they may want or need about after sales service issues. The website allows the Company s retailers to track their repair status online 24 hours a day. The system also permits customers to authorize repairs, track repair status through the entire repair life cycle, view repair information and obtain service order history.

SOURCING, PRODUCTION AND QUALITY

The Company does not manufacture any of the products it sells. The Company employs a flexible manufacturing model that relies on independent manufacturers to meet shifts in marketplace demand and changes in consumer preferences. All product sources must achieve and maintain the Company s high quality standards and specifications. With strong supply chain organizations in Switzerland, China

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and Hong Kong, the Company maintains control over the quality of its products, wherever they are manufactured. Compliance is monitored with strictly implemented quality control standards, including on-site quality inspections.

A majority of the Swiss watch movements used in the manufacture of Movado, Ebel, Concord and ESQ watches are purchased from two suppliers. The Company obtains other watch components for all of its brands, including movements, cases, hands, dials, bracelets and straps from a number of other suppliers. The Company does not have long-term supply commitments with any of its component parts suppliers.

Movado (with the exception of Movado BOLD), Ebel and Concord watches are manufactured in Switzerland by independent third party assemblers. All Movado, ESQ, Ebel and Concord watches are manufactured using Swiss movements. All the Company s products are manufactured using components obtained from third party suppliers. ESQ and Movado BOLD watches are manufactured by independent contractors in Asia using Swiss movements. Coach, Tommy Hilfiger, HUGO BOSS, Juicy Couture, Scuderia Ferrari and Lacoste watches are manufactured by independent contractors in Asia.

TRADEMARKS, PATENTS AND LICENSE AGREEMENTS

The Company owns the trademarks CONCORD®, EBEL® and MOVADO®, as well as trademarks for the Movado Museum dial design, and related trademarks for watches and jewelry in the United States and in numerous other countries.

The Company licenses ESQUIRE®, ESQ® and related trademarks on an exclusive worldwide basis for use in connection with the manufacture, distribution, advertising and sale of watches pursuant to a license agreement with Hearst Magazine, a division of Hearst Communications, Inc., dated as of January 1, 1992 (as amended, the Hearst License Agreement). The current term of the Hearst License Agreement expires December 31, 2015, and contains options for renewal at the Company s discretion through December 31, 2042.

The Company licenses the trademark COACH® and related trademarks on an exclusive worldwide basis for use in connection with the manufacture, distribution, advertising and sale of watches pursuant to a license agreement with Coach, Inc., dated December 9, 1996 (as amended, the Coach License Agreement). The Coach License Agreement expires on June 30, 2015.

Under an amended and restated license agreement with Tommy Hilfiger Licensing LLC dated September 16, 2009 (as amended the Tommy Hilfiger License Agreement), the Company has the exclusive license to use the trademark TOMMY HILFIGER® and related trademarks in connection with the manufacture of watches worldwide and in connection with the marketing, advertising, sale and distribution of watches at wholesale (and at retail through its outlet stores) worldwide (excluding certain accounts in Japan). The term of the Tommy Hilfiger License Agreement expires March 31, 2014 and may be extended by the Company for an additional five years ending on March 31, 2019, subject to the satisfaction of minimum sales requirements and approval of a new business plan.

On March 5, 2012, the Company entered into an amended and restated license agreement with HUGO BOSS Trade Mark Management GmbH & Co. (the Hugo Boss License Agreement), extending the term and making certain other changes to the license agreement originally entered by the parties on December 15, 2004, under which the Company received a worldwide exclusive license to use the trademark HUGO BOSS® and any other trademarks containing the names HUGO or BOSS , in

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connection with the production, promotion and sale of watches. The term of the Hugo Boss License Agreement continues through December 31, 2018.

On November 15, 2005, the Company entered into a license agreement with L.C. Licensing, Inc., for the exclusive worldwide license to use the trademarks JUICY COUTURE® and COUTURE COUTURE LOS ANGELES , in connection with the manufacture, advertising, merchandising, promotion, sale and distribution of timepieces and components (as amended, the Juicy Couture License Agreement) . The current term of the Juicy Couture License Agreement is through December 31, 2016.

On March 27, 2006, the Company entered into an exclusive worldwide license agreement with Lacoste S.A., Sporloisirs, S.A. and Lacoste Alligator, S.A. to design, produce, market and distribute Lacoste watches under the Lacoste® name and the distinctive alligator logo beginning in the first half of 2007 (as amended, the Lacoste License Agreement) . The Lacoste License Agreement continues through December 31, 2014 and renews automatically for successive five year periods unless either party notifies the other of non-renewal at least six months before the end of the initial term or any renewal period.

On March 22, 2012, the Company entered into an exclusive worldwide license agreement with Ferrari S.p.A. to use certain well known trademarks of Ferrari including the S.F. and Prancing Horse device in shield, FERRARI OFFICIAL LICENSED PRODUCT and SCUDERIA FERRARI, in connection with the manufacture, advertising, merchandising, promotion, sale and distribution of watches with a suggested retail price not exceeding 1,500 (the Ferrari License Agreement). The current term of the Ferrari License Agreement is through December 31, 2017.

The Company also owns, and has pending applications for, a number of design patents in the United States and internationally for various watch designs, as well as designs of watch dials, cases, bracelets and jewelry.

The Company actively seeks to protect and enforce its intellectual property rights by working with industry associations, anti-counterfeiting organizations, private investigators and law enforcement authorities, including customs authorities in the United States and internationally, and, when necessary, suing infringers of its trademarks and patents. Consequently, the Company is involved from time to time in litigation or other proceedings to determine the enforceability, scope and validity of these rights. With respect to the trademarks MOVADO®, EBEL®, CONCORD® and certain other related trademarks, the Company has received exclusion orders that prohibit the importation of counterfeit goods or goods bearing confusingly similar trademarks into the United States and other countries. In accordance with customs regulations, these exclusion orders, however, do not cover the importation of genuine Movado, Ebel and Concord watches because the Company is considered the manufacturer of such watches. All of the Company s exclusion orders are renewable.

COMPETITION

The markets for each of the Company s watch brands are highly competitive. With the exception of Swatch Group, Ltd., a large Swiss-based competitor, no single company competes with the Company across all of its brands. Certain companies, however, compete with Movado Group, Inc. with respect to one or more of its watch brands. Certain of these companies have, and other companies that may enter the Company s markets in the future may have, greater financial, distribution, marketing and advertising resources than the Company. The Company s future success will depend, to a significant degree, upon its continued ability to compete effectively with regard to, among other things, the style, quality, price,

advertising, marketing, distribution and availability of supply of the Company s watches and other products.

EMPLOYEES

As of January 31, 2013, the Company had approximately 1,100 full-time employees in its global operations. No employee of the Company is represented by a labor union or is subject to a collective bargaining agreement. The Company has never experienced a work stoppage due to labor difficulties and believes that its employee relations are good.

AVAILABLE INFORMATION

The Company s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on the Company s website, located at www.movadogroup.com, as soon as reasonably practicable after the same are electronically filed with, or furnished to, the SEC. The public may read any materials filed by the Company with the SEC at the SEC s public reference room at 100 F. Street, N.E., Washington, D.C., 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding the Company at www.sec.gov.

The Company has adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees, including the Company s Chief Executive Officer, Chief Financial Officer and principal accounting and financial officers, which is posted on the Company s website. The Company will post any amendments to the Code of Business Conduct and Ethics and any waivers that are required to be disclosed by SEC regulations on the Company s website. In addition, the committee charters for the audit committee, the compensation committee and the nominating/corporate governance committee of the Board of Directors of the Company and the Company s corporate governance guidelines have been posted on the Company s website.

Item 1A. Risk Factors

The following risk factors and the forward-looking statements contained in this Form 10-K should be read carefully in connection with evaluating Movado Group, Inc. s business. These risks and uncertainties could cause actual results and events to differ materially from those anticipated. Additional risks which the Company does not presently consider material, or of which it is not currently aware, may also have an adverse impact on the business. Please also see Forward-Looking Statements on page 1.

Adverse economic conditions in the U.S. or in other key markets, and the resulting declines in consumer confidence and spending, could have a material adverse effect on the Company s operating results.

The Company s results are dependent on a number of factors impacting consumer confidence and spending, including, but not limited to, general economic and business conditions; wages and employment levels; volatility in the stock market; home values; inflation; consumer debt levels; availability and cost of consumer credit; economic uncertainty; solvency concerns of major financial institutions; fluctuations in foreign currency exchange rates; fuel and energy costs and/or shortages; tax issues; and general political conditions, both domestic and abroad.

Adverse economic conditions, including declines in employment levels, disposable income, consumer confidence and economic growth could result in decreased consumer spending that would adversely affect sales of consumer goods, particularly those, such as the Company s products, that are viewed as discretionary items. In addition, events such as war, terrorism, natural disasters or outbreaks of disease could further suppress consumer spending on discretionary items. If any of these events should occur, the Company s future sales could decline.

The Company faces intense competition in the worldwide watch industry.

The watch industry is highly competitive and the Company competes globally with numerous manufacturers, importers and distributors, some of which are larger and have greater financial, distribution, advertising and marketing resources. The Company s products compete on the basis of price, features, perceived desirability, reliability and perceived attractiveness. The Company also faces increased competition from internet-based retailers. The Company s future results of operations may be adversely affected by these and other competitors.

Maintaining favorable brand recognition is essential to the success of the Company, and failure to do so could materially and adversely affect the Company s results of operations.

Favorable brand recognition is an important factor to the future success of the Company. The Company sells its products under a variety of owned and licensed brands. Factors affecting brand recognition are often outside the Company s control, and the Company s efforts to create or enhance favorable brand recognition, such as making significant investments in marketing and advertising campaigns, product design and anticipation of fashion trends, may not have their desired effects. Additionally, the Company relies on its licensors to maintain favorable brand recognition of their respective brands, and the Company often has no control over the brand management efforts of its licensors. Finally, although the Company s independent distributors are subject to contractual requirements to protect the Company s brands, it may be difficult to monitor or enforce such requirements, particularly in foreign jurisdictions. Any decline in perceived favorable recognition of the Company s owned or licensed brands could materially and adversely affect future results of operations and profitability. If the Company is unable to respond to changes in consumer demands and fashion trends in a timely manner, sales and profitability could be adversely affected.

Fashion trends and consumer demands and tastes often shift quickly. The Company attempts to monitor these trends in order to adapt its product offerings to suit customer demand. There is a risk that the Company will not properly perceive changes in trends or tastes, which may result in the failure to adapt the Company s products accordingly. In addition, new model designs are regularly introduced into the market for all brands to keep ahead of evolving fashion trends as well as to initiate new trends of their own. There is risk that the public may not favor these new models or that the models may not be ready for sale until after the trend has passed. If the Company fails to respond to and keep up to date with fashion trends and consumer demands and tastes, its brand image, sales, profitability and results of operations could be materially and adversely affected.

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If the Company misjudges the demand for its products, high inventory levels could adversely affect future operating results and profitability.

Consumer demand for the Company s products can affect inventory levels. If consumer demand is lower than expected, inventory levels can rise causing a strain on operating cash flow. If the inventory cannot be sold through the Company s wholesale or retail outlets, additional write-downs or write-offs to future earnings could be necessary. Conversely, if consumer demand is higher than expected, insufficient inventory levels could result in unfulfilled customer orders, loss of revenue and an unfavorable impact on customer relationships. In particular, volatility and uncertainty related to macro-economic factors make it more difficult for the Company to forecast customer demand in its various markets. Failure to properly judge consumer demand and properly manage inventory could have a material adverse effect on profitability and liquidity.

An increase in product returns could negatively impact the Company s operating results and profitability.

The Company recognizes revenue as sales when merchandise is shipped and title transfers to the customer. The Company permits the return of damaged or defective products and accepts limited amounts of product returns in certain instances. Accordingly, the Company provides allowances for the estimated amounts of these returns at the time of revenue recognition based on historical experience. While such returns have historically been within management s expectations and the provisions established, future return rates may differ from those experienced in the past. Any significant increase in damaged or defective products or expected returns could have a material adverse effect on the Company s operating results for the period or periods in which such returns materialize.

The Company s business relies on the use of independent parties to manufacture its products. Any loss of an independent manufacturer, or the Company s inability to deliver quality goods in a timely manner, could have an adverse effect on customer relations, brand image, net sales and results of operations.

The Company employs a flexible manufacturing model that relies on independent manufacturers to meet shifts in marketplace demand. Most of these manufacturers rely on third party suppliers for the various component parts needed to assemble finished watches sold to the Company. All such independent manufacturers and suppliers must achieve and maintain the Company s high quality standards and specifications. The inability of a manufacturer to ship orders in a timely manner or to meet the Company s high quality standards and specifications could cause the Company to miss committed delivery dates with customers, which could result in cancellation of the customers orders. In addition, delays in delivery of satisfactory products could have a material adverse effect on the Company s profitability, particularly if the delays cause the Company to be unable to market certain products during the seasonal periods when its sales are typically higher. See Risk Factors The Company s business is seasonal, with sales traditionally greater during certain holiday seasons, so events and circumstances that adversely affect holiday consumer spending will have a disproportionately adverse effect on the Company s results of operations. A majority of the Swiss watch movements used in the manufacture of Movado, Ebel, Concord and ESQ watches are purchased from two suppliers, one of which is a wholly-owned subsidiary of one of the Company s competitors. Additionally, the Company generally does not have long-term supply commitments with its manufacturers and thus competes for production facilities with other organizations, some of which are larger and have greater resources. Any loss of an independent manufacturer or disruption in the supply chain with respect to critical component parts may result in the Company s inability to deliver quality goods in a timely manner and could have an adverse effect on customer relations, brand image, net sales and results of operations.

If the Company loses any of its license agreements, there may be significant loss of revenues and a negative effect on business.

The Company has the right to produce, market and distribute watches under the brand names of ESQ, Coach, Tommy Hilfiger, HUGO BOSS, Juicy Couture, Scuderia Ferrari and Lacoste pursuant to license agreements with the respective owners of those trademarks. There are certain minimum royalty payments as well as other requirements associated with these agreements. Failure to meet any of these requirements could result in the loss of the license. Additionally, after the term of any license agreement has concluded, the licensor may decide not to renew with the Company. For the fiscal year ended January 31, 2013, the above mentioned licensed brands represented approximately 45% of the Company s net sales. No individual licensed brand represented net sales greater than 20% of the Company s total consolidated net sales. The loss of one or more of the Company s licenses could result in loss of future revenues which could adversely affect its financial condition.

Changes in the sales or channel mix of the Company s products could impact gross profit margins.

The individual brands that are sold by the Company are sold at a wide range of price points and yield a variety of gross profit margins. In addition, sales of excess and/or discontinued inventory into the liquidation channel generate a lower gross profit margin than non-liquidation sales. Thus, the mix of sales by brand as well as by distribution channel can have an impact on the gross profit margins of the Company. If the Company s sales mix shifts unfavorably toward brands with lower gross profit margins than the Company s historical consolidated gross profit margin or if a greater proportion of liquidation sales are made, it could have an adverse effect on the results of operations.

The Company s business is seasonal, with sales traditionally greater during certain holiday seasons, so events and circumstances that adversely affect holiday consumer spending will have a disproportionately adverse effect on the Company s results of operations.

The Company s sales are seasonal by nature. The Company s U.S. sales are traditionally greater during the Christmas and holiday season. Internationally, major selling seasons center on significant local holidays that occur in late winter or early spring. The amount of net sales and operating income generated during these seasons depends upon the general level of retail sales at such times, as well as economic conditions and other factors beyond the Company s control. The second half of each year accounted for 56.1%, 56.6%, and 58.6% of the Company s net sales for the fiscal years ended January 31, 2013, 2012, and 2011, respectively. If events or circumstances were to occur that negatively impact consumer spending during such holiday seasons, it could have a material adverse effect on the Company s sales, profitability and results of operations.

Sales in the Company s retail stores are dependent upon customer foot traffic.

The success of the Company s retail stores is, to a certain extent, dependent upon the amount of customer foot traffic generated by the outlet center in which those stores are located. Most of the Company s outlet stores are located near vacation destinations.

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Factors that can affect customer foot traffic include:

- decline in customer discretionary spending;
- the location of the outlet center;
- the location of the Company s store within the outlet center;
- the other tenants in the outlet center;
- the occupancy rate of the outlet center;
- the success of the outlet center and tenant advertising to attract customers;
- increased competition in areas surrounding the outlet center; and
- increased competition from shopping over the internet and other alternatives such as mail-order.

Additionally, since most of the Company s outlet stores are located near vacation destinations, factors that affect travel could decrease outlet center traffic. Such factors include the price and supply of fuel, travel concerns and restrictions, international instability, terrorism and inclement weather. A reduction in foot traffic in relevant shopping centers could have a material adverse effect on retail sales and profitability.

If the Company is unable to maintain existing space or to lease new space for its retail stores in prime outlet center locations or is unable to complete construction on a timely basis, the Company s ability to achieve favorable results in its retail business could be adversely affected.

The Company s outlet stores are strategically located in top outlet centers in the United States, most of which are located near vacation destinations. If the Company cannot maintain and secure locations in prime outlet centers for its outlet stores, it could jeopardize the operations of the stores and business plans for the future. Additionally, if the Company cannot complete construction in new stores within the planned timeframes, cost overruns and lost revenue could adversely affect the profitability of the retail segment. The Company on average plans for two to three new stores or renovations per fiscal year. The average time required to build-out or renovate each store and open it after delivery of possession is generally less than 60 days.

Current or future cost reduction, streamlining, restructuring or business optimization initiatives could result in the Company incurring various one-time, non-recurring or unusual charges and other items, which could have a material adverse effect on the Company s reported earnings per share and other unadjusted financial measures.

In the course of the Company s efforts to implement its business plan to adapt to the changing economic environment, the Company may be required to take actions that could result in the incurrence of various one-time, non-recurring or unusual charges and other items. These charges and other items may include severance and relocation expenses, write-offs or write-downs of assets, impairment charges, facilities closure costs or other business optimization costs. In general, these costs will reduce the Company s operating income and net income (along with the associated unadjusted per share measures). Therefore, such charges and other items could have a material adverse effect on the Company s reported results of operations and the market price of the Company s securities.

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If the Company is unable to successfully implement its growth strategies, its future operating results could suffer.

There are certain risks involved in the Company seeking to expand its business through acquisitions, license agreements, joint ventures and other initiatives. There is risk involved with each of these. Acquisitions and new license agreements require the Company to ensure that new brands will successfully complement the other brands in its portfolio. The Company assumes the risk that the new brand will not be viewed by the public as favorably as its other brands. In addition, the integration of an acquired company or licensed brand into the Company s existing business can strain the Company s current infrastructure with the additional work required and there can be no assurance that the integration of acquisitions or licensed brands will be successful or that acquisitions or licensed brands will generate sales increases. The Company needs to ensure it has the adequate human resources and systems in place to allow for successful assimilation of new businesses. The inability to successfully implement its growth strategies could adversely affect the Company s future financial condition and results of operations.

The loss or infringement of the Company s trademarks or other intellectual property rights could have an adverse effect on future results of operations.

The Company believes that its trademarks and other intellectual property rights are vital to the competitiveness and success of its business and therefore it takes all appropriate actions to register and protect them. Such actions may not be adequate to prevent imitation of the Company s products or infringement of its intellectual property rights, or to assure that others will not challenge the Company s rights, or that such rights will be successfully defended. Moreover, the laws of some foreign countries, including some in which the Company sells its products, may not protect intellectual property rights to the same extent as do the laws of the United States, which could make it more difficult to successfully defend such challenges to them. The Company s inability to obtain or maintain rights in its trademarks, including its licensed marks, could have an adverse effect on brand image and future results of operations.

Fluctuations in the pricing of commodities or the cost of labor could adversely affect the Company s ability to produce products at favorable prices.

Some of the Company s higher-end watch offerings are made with materials such as diamonds, precious metals and gold. The Company relies on independent contractors to manufacture and assemble the majority of its watch brands. A significant change in the prices of these commodities or the cost of third-party labor could adversely affect the Company s business by:

- reducing gross profit margins;
- forcing an increase in suggested retail prices; which could lead to
- decreasing consumer demand; which could lead to
- higher inventory levels.

Any and all of the above events could adversely affect the Company s future cash flow and results of operations.

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The Company s business is subject to foreign currency exchange rate risk.

A significant portion of the Company s inventory purchases are denominated in Swiss francs. The Company reduces its exposure to the Swiss franc exchange rate risk through a hedging program. Under the hedging program, the Company manages most of its foreign currency exposures on a consolidated basis, which allows it to net certain exposures and take advantage of natural offsets. In the event these exposures do not offset, the Company has the ability under a hedging program to utilize forward exchange contracts and purchased foreign currency options to mitigate foreign currency risk. If these hedge instruments are unsuccessful at minimizing the risk or are deemed ineffective, any fluctuation of the Swiss franc exchange rate could impact the future results of operations. Changes in currency exchange rates may also affect relative prices at which the Company and its foreign competitors sell products in the same market. Additionally, a portion of the Company s net sales are recorded in its foreign subsidiaries in a currency other than the local currency of that subsidiary. This predominantly occurs in the Company s Hong Kong and Swiss subsidiaries when they sell to Euro and British Pound based customers. This exposure is not hedged by the Company. Any fluctuation in the Euro and British Pound exchange rate in relation to the Hong Kong dollar and Swiss franc would have an effect on these sales that are recorded in Euro and British Pound. The currency effect on these sales has an equal effect on their recorded gross profit since the costs of these sales are recorded in the entities respective local currency. As a result of these and other foreign currency sales, certain of the Company s subsidiaries have outstanding foreign currency receivables. At times, the Company reduces its exposure to this exchange rate risk, partially, under the hedging program utilizing forward exchange contracts. Furthermore, since the Company s consolidated financial statements are presented in U.S. dollars, revenues, income and expenses, as well as assets and liabilities of foreign currency denominated subsidiaries must be translated into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Fluctuations in foreign currency exchange rates could adversely affect the Company s reported revenues, earnings, financial position and the comparability of results of operations from period to period.

The Grinberg family owns a majority of the voting power of the Company s stock.

Each share of common stock of the Company is entitled to one vote per share while each share of class A common stock of the Company is entitled to ten votes per share. While the members of the Grinberg family do not own a majority of the Company s outstanding common stock, by their significant holdings of class A common stock they control a majority of the voting power represented by all outstanding shares of both classes of stock. Consequently, the Grinberg family is in a position to significantly influence any matters that are brought to a vote of the shareholders including, but not limited to, the election of the Board of Directors and any action requiring the approval of shareholders, including any amendments to the Company s certificate of incorporation, mergers or sales of all or substantially all of the Company s assets. This concentration of ownership also may delay, defer or even prevent a change in control of the Company and make some transactions more difficult or impossible without the support of the Grinberg family. These transactions might include proxy contests, tender offers, mergers or other purchases of common stock that could give stockholders the opportunity to realize a premium over the then-prevailing market price for shares of the Company s common stock.

The Company s stock price could fluctuate and possibly decline due to changes in revenue, operating results and cash flow.

The Company s revenue, results of operations and cash flow can be affected by several factors, some of which are not within its control. Those factors include, but are not limited to, those described as risk factors in this Item 1A and under Forward-Looking Statements on page 1.

Any or all of these factors could cause a decline in revenues or increased expenses, both of which could have an adverse effect on the results of operations. If the Company s earnings failed to meet the expectations of the public in any given period, the Company s stock price could fluctuate and possibly decline.

If the Company were to lose its relationship with any of its key customers or distributors or any of such customers or distributors were to experience financial difficulties or go out of business, there may be a significant loss of revenue and operating results.

The Company s customer base covers a wide range of distribution including national jewelry store chains, department stores, independent regional jewelers, licensors retail stores and a network of independent distributors in many countries throughout the world. Except for its agreements with independent distributors, the Company does not have long-term sales contracts with its customers, nor does it have a significant backlog of unfilled orders. Customer purchasing decisions could vary with each selling season. A material change in the Company s customers purchasing decisions could have an adverse effect on its revenue and operating results.

The Company extends credit to its customers based on an evaluation of each customer s financial condition usually without requiring collateral. Should any of the Company s larger customers experience financial difficulties, it could result in the Company s curtailing of doing business with them, an increased rate of product returns or an increase in its exposure related to its accounts receivable. The inability to collect on these receivables could have an adverse effect on the Company s financial results and cash flows.

The inability or difficulty of the Company s customers, suppliers and business partners to obtain credit, could materially and adversely affect its results of operations and liquidity.

Many of the Company s customers, suppliers and business partners rely on a stable, liquid and well-functioning financial system to fund their operations and a disruption in their ability to access liquidity could cause serious disruptions to or an overall deterioration of their businesses which could impair their ability to meet their obligations to the Company, including delivering product ordered by the Company and placing or paying for future orders of the Company s products, any of which could have a material adverse effect on the Company s results of operations and liquidity.

The Company s wholesale business could be negatively affected by further changes of ownership, contraction and consolidation in the retail industry.

A large portion of the Company s U.S. wholesale business is based on sales to major jewelry store chains and department stores. In recent years, the retail industry has experienced changes in ownership, contraction and consolidations, with a number of jewelry chain stores and department store operators going out of business and liquidating their inventory. Future reorganizations, changes of ownership and consolidations could further reduce the number of retail doors in which the Company s products are sold

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and increase the concentration of sales among fewer national or large regional retailers, which could materially adversely affect the Company s wholesale business.

If the Company were to lose key members of management or be unable to attract and retain the talent required for the business, operating results could suffer.

The Company s ability to execute key operating initiatives as well as to deliver product and marketing concepts appealing to target consumers depends largely on the efforts and abilities of key executives and senior management s competencies. The unexpected loss of one or more of these individuals could have an adverse effect on the future business. The Company cannot guarantee that it will be able to attract and retain the talent and skills needed in the future.

If the Company cannot secure financing and credit on favorable terms, the Company s financial condition and results of operations may be materially adversely affected.

Credit and equity markets remain sensitive to world events and macro-economic developments. Therefore, the Company s cost of borrowing may increase and it may be more difficult to obtain financing for the Company s operations or to refinance long-term obligations as they become payable. In addition, the Company s borrowing costs can be affected by independent rating agencies short and long-term debt ratings which are based largely on the Company s performance as measured by credit metrics including interest coverage and leverage ratios. A decrease in these ratings would likely also increase the Company s cost of borrowing and make it more difficult for it to obtain financing. A significant increase in the costs the Company incurs in order to finance its operations may have a material adverse impact on its business results and financial condition.

A significant portion of the Company s business is conducted outside of the United States. Many factors affecting business activities outside the United States could adversely impact this business.

The Company produces all of its watches in Europe and Asia. The Company also generates approximately 50% of its revenue from international sources.

Factors that could affect this business activity vary by region and market and generally include without limitation:

- instability or changes in social, political and/or economic conditions that could disrupt the trade activity in the countries where the Company s manufacturers, suppliers and customers are located;
- the imposition of additional duties, taxes and other charges on imports and exports;
- changes in foreign laws and regulations;
- the adoption or expansion of trade sanctions;
- recessions in foreign economies; and
- a significant change in currency valuation in specific countries or markets.

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If the Company was unable to protect the security of personal information about its customers or employees or prevent a privacy breach, it could be subject to costly government enforcement actions and private litigation and suffer significant negative publicity which could materially and adversely affect the Company s results of operations.

As part of the normal course of business the Company is involved in the receipt and storage of electronic information about customers and employees, as well as proprietary financial and non-financial data. Although the Company believes it has taken reasonable and appropriate actions to protect the security of this information, if the Company were to experience a security breach, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors or other similar events, it could result in government enforcement actions and private litigation, attract a substantial amount of media attention, and damage the Company s reputation and its relationships with its customers and employees, materially adversely affecting the Company s sales and results of operations.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

The Company leases various facilities in North America, Europe, the Middle East and Asia for its corporate, watch assembly, distribution and sales operations. As of January 31, 2013, the Company s leased facilities were as follows:

Location	Function	Square Footage	Lease Expiration
Moonachie, New Jersey	Distribution and repair	100,000	July 2019
Paramus, New Jersey	Executive offices	90,050	June 2018
Bienne, Switzerland	Distribution, assembly and repair	35,790	August 2017
Bienne, Switzerland	Corporate functions and watch sales	35,500	June 2017
Hong Kong	Watch sales, distribution and repair	16,560	March 2016
Villers le Lac, France	European service and watch distribution	12,800	January 2016
Markham, Canada	Office, distribution and repair	7,800	August 2019
New York, New York	Public relations office, licensed brand showroom	9,900	August 2016
Shanghai, China	Watch sales and distribution	6,050	January 2014
Hackensack, New Jersey	Warehouse	6,600	July 2013
ChangAn Dongguan, China	Quality control and engineering	6,460	December 2015
Munich, Germany	Watch sales and repair	4,380	January 2017
Coral Gables, Florida	Caribbean office, watch sales	2,880	January 2017
Grenchen, Switzerland	Watch sales	2,800	February 2014
Singapore	Watch sales, distribution and repair	970	June 2014
Crown House, United Kingdom	Watch sales	490	May 2013
Dubai, United Arab Emirates	Watch sales	730	July 2013

All of the foregoing facilities are used exclusively in connection with the wholesale segment of the Company s business except that a portion of the Company s executive office space in Paramus, New Jersey is used in connection with management of its retail business.

The Company owns property totaling approximately 24,000 square feet located in La Chaux-de-Fonds, Switzerland historically used for watch assembly, storage and public relations. During fiscal 2013, this building was held for sale and in early fiscal 2014, the offices were moved to Bienne, Switzerland. In addition, the Company acquired an architecturally significant building in La Chaux-de-Fonds in 2004 as part of its acquisition of Ebel.

The Company also owns approximately 2,500 square feet of office space in Hanau, Germany, which it previously used for sales, distribution and watch repair functions.

The Company leased 1,550 square feet of retail space for the operation of the Movado brand flagship store, located at Rockefeller Center in New York City which closed February 14, 2012, as the Company did not renew its lease. In addition, the Company leases retail space averaging 1,700 square feet per store with leases expiring from June 2013 to January 2026 for the operation of the Company s 34 outlet stores in the United States. The Company believes that its existing facilities are suitable and adequate for its current operations.

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Item 3. Legal Proceedings

The Company is involved in pending legal proceedings and claims in the ordinary course of business. Although the outcome of such matters cannot be determined with certainty, the Company s general counsel and management believe that the final outcome of currently pending legal proceedings, individually or in aggregate, would not have a material effect on the Company s consolidated financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

As of March 19, 2013, there were 50 holders of record of class A common stock and, the Company estimates, 5,800 beneficial owners of the common stock represented by 469 holders of record. The common stock is traded on the New York Stock Exchange under the symbol MOV and on March 19, 2013, the closing price of the common stock was $36.75. The quarterly high and low closing prices for the fiscal years ended January 31, 2013 and 2012 were as follows:

	Fiscal Year Ended January 31, 2013		Fiscal Year Ended January 31, 2012	
Quarter Ended	**Low**	**High**	**Low**	**High**
April 30	$ 17.59	$ 28.67	$ 12.76	$ 16.89
July 31	$ 22.08	$ 28.85	$ 14.98	$ 17.85
October 31	$ 21.30	$ 35.99	$ 10.98	$ 17.28
January 31	$ 28.33	$ 37.17	$ 13.90	$ 19.88

In connection with the October 7, 1993 public offering, each share of the then currently existing class A common stock was converted into 10.46 shares of new class A common stock, par value of $0.01 per share (the class A common stock). Each share of common stock is entitled to one vote per share and each share of class A common stock is entitled to 10 votes per share on all matters submitted to a vote of the shareholders. Each holder of class A common stock is entitled to convert, at any time, any and all such shares into the same number of shares of common stock. Each share of class A common stock is converted automatically into common stock in the event that the beneficial or record ownership of such shares of class A common stock is transferred to any person, except to certain family members or affiliated persons deemed permitted transferees pursuant to the Company s Restated Certificate of Incorporation as amended. The class A common stock is not publicly traded and consequently, there is currently no established public trading market for these shares.

On March 27, 2012, as a result of Movado Group s strong financial position in fiscal 2012, the Company s Board of Directors decided to increase the quarterly cash dividend to $0.05 per share, subject, in each quarter, to the Board s review of the Company s financial performance and other factors as determined by the Board.

On March 29, 2012 the Board of Directors approved the payment of a special cash dividend of $0.50 per share of the Company s outstanding common stock and class A common stock. This dividend was paid on May 15, 2012 to all shareholders of record on April 30, 2012.

On November 27, 2012, the Board approved the payment of a cash dividend on December 21, 2012 in the amount of $0.05 per share of the Company s outstanding common stock and class A common stock held by shareholders of record as of the close of business on December 10, 2012.

On November 27, 2012 the Board of Directors approved the payment of a special cash dividend of $0.75 per share of the Company s outstanding common stock and class A common stock. This dividend was paid on December 21, 2012 to all shareholders of record on December 10, 2012.

For the fiscal year ending January 31, 2014, the Company anticipates paying four quarterly dividends totaling $0.20 per share of common stock and class A common stock, or approximately $5.0 million based on the current number of outstanding shares. For the year ended January 31, 2013, the Company paid four quarterly dividends totaling $0.20 per share of common stock and class A common stock, or approximately $5.0 million based on the current number of outstanding shares and two special dividends of $0.50 and $0.75 per share of common stock and class A common stock, or approximately $31.6 million based on the current number of outstanding shares. The Company paid quarterly cash dividends totaling $0.12 per share, or approximately $3.0 million, for the year ended January 31, 2012.

On March 20, 2013, the Board approved the payment of a cash dividend on April 16, 2013 in the amount of $0.05 per share of the Company s outstanding common stock and class A common stock held by shareholders of record as of the close of business on April 2, 2013. However, the decision of whether to declare any future cash dividend, including the amount of any such dividend and the establishment of record and payment dates, will be determined, in each quarter, by the Board of Directors, in its sole discretion.

On March 20, 2013, the Board approved a share repurchase program under which the Company may purchase up to $50 million of its outstanding common shares from time to time, depending on market conditions, share price and other factors. The authorization expires on January 31, 2016, and the Company may purchase shares of its common stock through open market purchases, block trades or otherwise. The shares will be purchased primarily to mitigate the dilutive impact of equity grants during the course of the next few years. Therefore, the Company does not expect the share repurchase program to have a significant impact on the weighted average of shares outstanding for fiscal 2014. Coincident with its approval of the share repurchase program on March 20, 2013, the Board rescinded a previous share repurchase program authorized in April 2008, under which the Company had repurchased a total of 937,360 shares of common stock in the open market during the first and second quarters of fiscal 2009 at a total cost of approximately $19.5 million or $20.79 average per share. During the twelve months ended January 31, 2013, the Company did not repurchase shares of Common Stock under this program.

An aggregate of 43,242 shares were repurchased during the twelve months ended January 31, 2013 as a result of the surrender of shares in connection with the vesting of certain restricted stock awards and stock options. At the election of an employee, upon the vesting of a stock award or the exercise of a stock option, shares having an aggregate value on the vesting of the award or the exercise date of the option, as the case may be, equal to the employee s withholding tax obligation may be surrendered to the Company by netting them from the vested shares issued. Similarly, shares having an aggregate value equal to the exercise price of an option may be tendered to the Company in payment of the option exercise price and netted from the shares issued upon the option exercise.

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The following table summarizes information about the Company s purchases of shares of its common stock in the fourth quarter of fiscal 2013.

Issuer Repurchase of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
November 1, 2012 November 30, 2012	-	$-	-	62,640
December 1, 2012 December 31, 2012	11,122	$32.29	-	62,640
January 1, 2013 January 31, 2013	-	$-	-	62,640
Total	11,122	$32.29	-	62,640

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PERFORMANCE GRAPH

The performance graph set forth below compares the cumulative total shareholder return of the Company s common stock for the last five fiscal years through the fiscal year ended January 31, 2013 with that of the Broad Market (NYSE Stock Market U.S. Companies), the S&P SmallCap 600 Index and the Russell 2000 Index. Each index assumes an initial investment of $100 on January 31, 2008 and the reinvestment of dividends (where applicable).

Company Name / Index	1/31/08	1/31/09	1/31/10	1/31/11	1/31/12	1/31/13
Movado Group, Inc.	100.0	32.32	46.00	60.64	78.07	162.74
S&P SmallCap 600 Index	100.0	63.27	87.92	115.12	123.75	142.87
NYSE (U.S. Companies)	100.0	65.02	85.93	105.61	108.43	127.70
Russell 2000 Index	100.0	63.16	87.04	114.34	117.61	135.81

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Item 6. 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 contained in Item 7 of this report. The Company s subsidiary, Movado Retail Group, Inc., closed its Movado boutique division during its second quarter ended July 31, 2010. As a result, the financial results of the boutiques were reported as discontinued operations on the face of the Consolidated Statements of Operations for all periods presented. Amounts are in thousands except per share amounts:

	Fiscal Year Ended January 31,				
	2013	**2012**	**2011 ***	**2010 ***	**2009 ***
Statement of income data:					
Net sales (1) (2)	$505,478	$468,117	$382,190	$349,705	$425,895
Cost of sales (3) (4)	227,596	211,772	199,188	184,074	162,896
Gross profit (1) (2) (3) (4)	277,882	256,345	183,002	165,631	262,999
Selling, general and administrative (5) (6) (7) (8)	228,536	222,782	195,099	187,177	242,391
Operating income / (loss) (1) (2) (3) (4) (5) (6) (7) (8)	49,346	33,563	(12,097)	(21,546)	20,608
Other income, net (9) (10)	-	747	-	-	681
Interest expense	(434)	(1,277)	(2,247)	(4,535)	(2,915)
Interest income	144	199	319	111	2,132
Income / (loss) from continuing operations before income taxes	49,056	33,232	(14,025)	(25,970)	20,506
(Benefit from) / Provision for income taxes (11) (12) (13) (14) (15)	(8,812)	604	8,792	13,553	7,102
Income / (loss) from continuing operations	57,868	32,628	(22,817)	(39,523)	13,404
Discontinued operations:					
(Loss) from discontinued operations, net of tax	-	-	(23,675)	(14,909)	(10,830)
Net income / (loss) including noncontrolling interests	57,868	32,628	(46,492)	(54,432)	2,574
Less: Income attributed to noncontrolling interests	785	633	665	224	237
Net income / (loss) attributed to Movado Group, Inc.	$57,083	$31,995	($47,157)	($54,656)	$2,337
Income / (loss) attributable to Movado Group, Inc.:					

Income / (loss) from continuing operations, net of tax	$57,083	$31,995	($23,482)	($39,747)	$13,167
(Loss) from discontinued operations, net of tax	-	-	(23,675)	(14,909)	(10,830)
Net income / (loss)	$57,083	$31,995	($47,157)	($54,656)	$2,337
Basic income / (loss) per share:					
Weighted basic average shares outstanding	25,267	24,926	24,753	24,541	24,782
Income / (loss) per share from continuing operations attributed to Movado Group, Inc.	$2.26	$1.28	($0.95)	($1.62)	$0.53
(Loss) per share from discontinued operations	$-	$-	($0.96)	($0.61)	($0.44)
Net income / (loss) per share attributable to Movado Group, Inc.	$2.26	$1.28	($1.91)	($2.23)	$0.09

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Diluted income / (loss) per share:					
Weighted diluted average shares outstanding	25,664	25,141	24,753	24,541	25,554
Income / (loss) per share from continuing operations attributed to Movado Group, Inc.	$2.22	$1.27	($0.95)	($1.62)	$0.52
(Loss) per share from discontinued operations	$-	$-	($0.96)	($0.61)	($0.44)
Net income / (loss) per share attributable to Movado Group, Inc.	$2.22	$1.27	($1.91)	($2.23)	$0.09
Cash dividends declared and paid per share	$1.45	$0.12	$-	$-	$0.29
Balance sheet data (end of period):					
Working capital (16)	$360,613	$346,239	$312,041	$325,914	$310,185
Total assets	$526,362	$507,562	$444,205	$473,363	$568,007
Total long-term debt (16)	$-	$-	$-	$10,000	$-
Movado Group, Inc. shareholders equity	$425,692	$394,074	$356,479	$373,554	$403,276

(1) Fiscal 2013 net sales include a sales allowance of $4.9 million related to the repositioning of the Coach watch brand.
(2) Fiscal 2012 net sales include a $3.0 million sale of certain proprietary watch movements.
(3) Fiscal 2011 includes a non-cash charge of $24.1 million for certain non-core gold and mechanical movement inventory.
(4) Fiscal 2010 includes a non-cash charge of $8.8 million for certain excess non-core inventory.
(5) Fiscal 2013 and 2012 includes a $3.0 million donation to the Movado Group Foundation.
(6) Fiscal 2011 and 2010 include non-cash charges of $3.1 million and $2.5 million, respectively, for write-downs of certain assets primarily related to intangible assets, tooling costs and trade booths for the Basel Fair.
(7) Fiscal 2011 includes a reversal of a previously recorded liability of $4.3 million for a retirement agreement with the Company s former Chairman.
(8) Fiscal 2009 includes a pre-tax charge of $11.1 million associated with the Company s expense reduction initiatives and a restructuring of certain benefit arrangements.
(9) Fiscal 2012 other income consists of a pre-tax gain of $0.7 million on the sale of a building which was completed in the second quarter of fiscal 2012.
(10) Fiscal 2009 other income consists of a pre-tax gain of $0.7 million on the collection of life insurance proceeds from policies covering the Company s former Chairman.
(11) Fiscal 2013 effective tax rate of -18.0% includes a tax benefit of $19.8 million attributable to the reversal of a majority of the valuation allowance on the U.S. net deferred tax assets and includes the net tax benefit related to foreign business restructurings in Japan and the UK.
(12) Fiscal 2012 effective tax rate of 1.8% includes a release of a valuation allowance against net deferred tax assets in Switzerland, partially offset by the accrual of a Swiss withholding tax settlement and the continued recording of other valuation allowances, most notably the valuation allowance against net U.S. deferred tax assets, and the tax accrued on the repatriation of foreign earnings.
(13) Fiscal 2011 effective tax rate of -62.7% includes a charge for the establishment of a valuation allowance against net deferred tax assets in Switzerland, in addition to continued recording of valuation allowances, most notably the valuation allowance against net U.S. deferred tax assets, and the tax accrued on the repatriation of foreign earnings.
(14) Fiscal 2010 effective tax rate of -52.2% includes a charge for the establishment of a full valuation allowance on domestic net deferred tax assets, resulting from a U.S. tax law change, allowing for an elective 5 year carryback for tax losses originating in either fiscal 2009 or fiscal 2010.
(15) Fiscal 2009 effective tax rate of 34.6% includes tax accrued on the future repatriation of foreign earnings somewhat offset by a release of valuation allowances on foreign tax losses.
(16) The Company defines working capital as current assets less current liabilities. In fiscal 2009 the Company reclassified $65.0 million of outstanding debt from non-current liabilities to current liabilities, due to non-compliance with the interest coverage ratio covenant under certain of its current debt agreements.
* Effective February 1, 2011, the Company changed its method of valuing its U.S. inventory to the average cost method. The consolidated financial statements of the prior years have been adjusted to apply the new accounting method retroactively.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

Net Sales. The Company operates and manages its business in two principal business segments Wholesale and Retail. The Company also operates in two geographic locations United States and International. The Company divides its watch brands into three distinct categories: luxury, accessible luxury and licensed brands. The luxury category consists of the Ebel and Concord brands. The accessible luxury category consists of the Movado and ESQ Movado brands. The licensed brands category represents brands distributed under license agreements and includes Coach, HUGO BOSS, Juicy Couture, Lacoste, Tommy Hilfiger and beginning in the first quarter of fiscal 2014, certain trademarks owned by Ferrari S.p.A.

The primary factors that influence annual sales are general economic conditions in the Company s U.S. and international markets, new product introductions, the level and effectiveness of advertising and marketing expenditures and product pricing decisions.

Approximately 50% of the Company s total sales are from international markets (see Note 14 to the Consolidated Financial Statements), and therefore reported sales made in those markets are affected by foreign exchange rates. The Company s international sales are primarily billed in local currencies (predominantly Euros and Swiss francs) and translated to U.S. dollars at average exchange rates for financial reporting purposes.

The Company s business is seasonal. There are two major selling seasons in the Company s 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 on significant local holidays that occur in late winter or early spring. The Company s net sales historically have been higher during the second half of the fiscal year. The second half of each year accounted for 56.1%, 56.6%, and 58.6% of the Company s net sales for the fiscal years ended January 31, 2013, 2012 and 2011, respectively.

The Company s retail operations consist of 34 outlet stores located throughout the United States and, until February 14, 2012, also included the Movado brand flagship store located at Rockefeller Center in New York City which was closed on that date, as the Company did not renew its lease.

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

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Gross Margins. The Company s overall gross margins are primarily affected by four major factors: brand and product sales mix, product pricing strategy, manufacturing costs and fluctuation in foreign currency exchange rates, in particular the relationship between the U.S. dollar and the Swiss franc and the Euro. Gross margins for the Company may not be comparable to those of other companies, since some companies include all the costs related to their distribution networks in cost of sales whereas the Company does not include the costs associated with its U.S. and Asia warehousing and distribution facilities nor the occupancy costs for the retail segment in the cost of sales line item.

Gross margins vary among the brands included in the Company s portfolio and also among watch models within each brand. Watches in the luxury category generally earn lower gross margin percentages than watches in the accessible luxury category. Gross margins in the Company s outlet business have historically been lower than those in the wholesale business since the outlets primarily sell seconds and discontinued models that generally command lower selling prices. In the current fiscal year, gross margins for the outlet business were in line with that of the wholesale business as the segment was less promotional year-over-year.

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.

Cost of sales of the Company s products consists primarily of component costs, royalties, assembly costs, depreciation, amortization and unit overhead costs associated with the Company s supply chain operations in Switzerland and Asia. The Company s supply chain operations consist of logistics management of assembly operations and product sourcing in Switzerland and Asia and minor assembly in Switzerland. Through productivity improvement efforts, the Company has controlled the level of overhead costs and maintained flexibility in its cost structure by outsourcing a significant portion of its component and assembly requirements.

Cost of sales of the Company s products includes costs for raw material and components, as well as labor for assembly of finished goods, all of which can be impacted by inflation. While inflation in costs has negatively impacted gross margin percentage, this effect has not been material to the Company s results of operations for the periods presented in this report. A significant increase in these costs due to inflation could have a material adverse effect on the Company s future results of operations. While the Company may seek to offset the negative inflationary impact on these costs with price increases on its products, its ability to effectively do so will depend on the extent it can pass on price increases and still remain competitive in the marketplace.

Effective February 1, 2011, the Company changed its method of valuing its U.S. inventories to the average cost method. In prior years, primarily all U.S. inventories were valued using the first-in, first-out (FIFO) method. With this change, all of the Company s inventories are now valued using the average cost method. The comparative consolidated financial statements of prior periods presented have been adjusted to apply the accounting method retroactively. For more information regarding these inventory related charges, see Critical Accounting Policies and Estimates Inventories.

In the fourth quarter of fiscal 2012, the Company recorded a sale of certain mechanical movements that had been written down in the previous year. As a result, the Company recorded a pre-tax net profit of $2.3 million related to those movements. In the fourth quarter of fiscal 2011, the Company recorded a non-cash charge of $24.1 million to write-down certain inventories to market value, primarily inventories of certain non-core gold watches and related parts and mechanical movements. For more

information regarding these inventory related charges, see Critical Accounting Policies and Estimates Inventories.

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 cost of goods sold and, therefore, its gross margins. The Company reduces its exposure to the Swiss franc exchange rate risk through a hedging program. Under the hedging program, the Company manages most of its foreign currency exposures on a consolidated basis, which allows it to net certain exposures and take advantage of natural offsets. In the event these exposures do not offset, the Company has the ability to hedge its Swiss franc purchases using a combination of forward contracts and purchased currency options. The Company s hedging program had the effect of reducing the exchange rate impact on product costs and gross margins for fiscal years 2013, 2012 and 2011.

Selling, General and Administrative (SG&A) Expenses. The Company s SG&A expenses consist primarily of marketing, selling, distribution, general and administrative expenses. In fiscal 2013 and 2012, the Company recorded a $3.0 million pre-tax charge related to donations made to the Movado Group Foundation. In fiscal 2011, the Company recorded a non-cash pre-tax charge of $3.1 million related to the write-down of certain assets related to intangible assets, tooling costs and trade booths for the Basel Fair. In fiscal 2011, the Company also recorded a benefit of $4.3 million resulting from the reversal of a previously recorded liability for a retirement agreement with the Company s former Chairman.

Annual marketing 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. Marketing expenses include various forms of media advertising, digital advertising and co-operative advertising with customers and distributors and other point-of-sale marketing and promotion spending. For fiscal 2013, 2012 and 2011, the Company increased its investment in marketing and advertising in order to elevate its connection to consumers and better position its brands in the marketplace.

Selling expenses consist primarily of salaries, sales commissions, sales force travel and related expenses, depreciation and amortization, expenses associated with Baselworld, the annual watch and jewelry trade show, and other industry trade shows and operating costs incurred in connection with the Company s retail business. Sales commissions vary with overall sales levels. Retail selling expenses consist primarily of payroll related and store occupancy costs.

Distribution expenses consist primarily of salaries of distribution staff, rental and other occupancy costs, security, depreciation and amortization of furniture and leasehold improvements and shipping supplies.

General and administrative expenses consist primarily of salaries and other employee compensation including performance based compensation, employee benefit plan costs, office rent, management information systems costs, professional fees, bad debts, depreciation and amortization of furniture, computer software and leasehold improvements, patent and trademark expenses and various other general corporate expenses.

Interest Expense. To the extent it borrows, the Company will record interest expense on its revolving credit facility. Additionally, interest expense includes the amortization of deferred financing costs associated with the Company s revolving credit facility.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and those significant policies are more fully described in Note 1 to the Company s consolidated financial statements. The preparation of these financial statements and the application of certain critical accounting policies require management to make judgments based on estimates and assumptions that affect the information reported. On an on-going basis, management evaluates its estimates and judgments, including those related to sales discounts and markdowns, product returns, bad debt, inventories, income taxes, warranty obligations, useful lives of property, plant and equipment, impairments, stock-based compensation and contingencies and litigation. Management bases its estimates and judgments about the carrying values of assets and liabilities that are not readily apparent from other sources on historical experience, contractual commitments and on various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. Management believes the following are the critical accounting policies requiring significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue Recognition

In the wholesale segment, the Company recognizes revenue upon transfer of title and risk of loss in accordance with its FOB shipping point terms of sale and after the sales price is fixed and determinable and collectability is reasonably assured. In the retail segment, transfer of title and risk of loss occurs at the time of register receipt. The Company records estimates for sales returns and sales and cash discount allowances as a reduction of revenue in the same period that the sales are recorded. These estimates are based upon historical analysis, customer agreements and/or currently known factors that arise in the normal course of business. While returns have historically been within the Company s expectations and the provisions established, future return rates may differ from those experienced in the past. In the event that returns are authorized at a rate significantly higher than the Company s historic rate, the resulting returns could have an adverse impact on its operating results for the period in which such results materialize. During the fourth quarter of fiscal 2013, the Company recorded a charge of $4.9 million related to the repositioning of the Coach watch brand from a collection priced to be sold in a department store s fine watch department to one suitable for sale in the fashion watch department. The charge represents the Company s estimated cost of the aggregate sales allowance to Coach watch retailers affected by the repositioning.

Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for amounts that may be uncollectible in the future. Estimates are used in determining the allowance for doubtful accounts and are based on an analysis of the aging of accounts receivable, assessments of collectability based on historic trends, the financial condition of the Company s customers and an evaluation of economic conditions. In general, the actual bad debt losses have historically been within the Company s expectations and the allowances it established. As of January 31, 2013, except for those accounts provided for in the reserve for doubtful accounts, the Company knew of no situations with any of the Company s major customers which would indicate the customer s inability to make their required payments.

Inventories

The Company valued its inventory at the lower of cost or market. Effective February 1, 2011, the Company changed its method of valuing its U.S. inventories to the average cost method. In prior years, primarily all U.S. inventories were valued using the FIFO method. With this change, all of the Company s inventories are now valued using the average cost method. The Company believed that the average cost method of inventory valuation is preferable because (1) it permits the Company to use a single method of accounting for all of the Company s U.S. and international inventories, (2) it aligns costing with the Company s forecasting and procurement decisions, and (3) since a number of the Company s key competitors use the average cost method, it improves comparability of the Company s financial statements. The consolidated financial statements of prior periods presented have been adjusted to apply the accounting method retroactively, as described in the applicable accounting guidance for accounting changes and error corrections. The Company performed reviews of its on-hand inventory to determine amounts, if any, of inventory that is deemed discontinued, excess, or unsaleable. Inventory classified as discontinued, together with the related component parts which can be assembled into saleable finished goods, is sold primarily through the Company s outlet stores. When management determines that finished product is unsaleable or that it is impractical to build the remaining components into watches for sale, a charge is recorded to value those products and components at the lower of cost or market.

During the fourth quarter of fiscal 2012, the Company recorded a net pre-tax profit of $2.3 million related to the sale of certain Ebel proprietary watch movements that were previously written down in the prior year. In the fourth quarter of fiscal 2011, there were events and circumstances, as described below, that resulted in the Company recording a non-cash charge of approximately $24.1 million to write-down certain inventories to market value, primarily inventories of certain non-core gold watches and related parts and mechanical movements. Certain watches in the Ebel brand line used proprietary watch movements that were assembled by the Company from parts purchased from third party suppliers. In the fourth quarter of fiscal 2011, the Company performed a strategic review of the Ebel brand and concluded that the future direction for the brand would not include the production of these proprietary movements, making inventory of these movement parts excess and obsolete. As a result, the Company recorded a charge to cost of sales for the future disposition of such inventory, net of estimated recovery. Additionally, in the fourth quarter of fiscal 2011, the Company concluded it would significantly reduce its offering of gold watches, considering particularly the recent increases in the price of gold, and therefore recorded a charge to cost of sales related to non-core gold inventory. Ordinarily, the Company would utilize its outlet stores to dispose of this excess inventory; however, in performing a detailed review of the non-core inventory, the Company concluded that the time, effort and costs to sell most of the gold watches were excessive and that the current salvage value provided a quicker and adequate return. These gold watches and components were valued at market, which resulted in a charge to cost of sales. As of January 31, 2012, the Company substantially completed its initiative to recover gold from this non-core gold inventory.

Long-Lived Assets

The Company periodically reviews the estimated useful lives of its depreciable assets based on factors including historical experience, the expected beneficial service period of the asset, the quality and durability of the asset and the Company s maintenance policy including periodic upgrades. Changes in useful lives are made on a prospective basis unless factors indicate the carrying amounts of the assets may not be recoverable and an impairment is necessary.

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The Company performs an impairment review of its long-lived assets once events or changes in circumstances indicate, in management s judgment, that the carrying value of such assets may not be recoverable. When such a determination has been made, management compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment loss has occurred, the loss is recognized during that period. The impairment loss is calculated as the difference between asset carrying values and the fair value of the long-lived assets.

In the first quarter of fiscal 2011, the Company determined that the carrying value of its long-lived assets with respect to certain Movado boutiques was not recoverable. The review was performed because of the closing of the boutique division and as a result the Company recorded a non-cash pre-tax charge of $3.4 million related to the write-downs of property, plant and equipment. This charge was included in discontinued operations in the Consolidated Statements of Operations. In the fourth quarter of fiscal 2011, the Company recorded a non-cash pre-tax charge of $3.1 million, primarily related to the write-down of certain intangible assets, tooling costs and trade booths for the Basel Fair. The review was performed because of fiscal 2011 fourth quarter losses and future forecasted losses of specific business areas. This charge was included in the selling, general and administrative expenses in the Consolidated Statements of Operations. All of the above impairment charges were calculated as the difference between the assets carrying values and their estimated fair value. In each case, the estimated fair value of the assets was zero as the future undiscounted cash flow was negative.

Warranties

All watches sold by the Company come with limited warranties covering the movement against defects in material and workmanship for periods ranging from two to three years from the date of purchase, with the exception of Tommy Hilfiger watches, for which the warranty period is ten years. In addition, the warranty period is five years for the gold plating on certain Movado watch cases and bracelets. The Company records an estimate for future warranty costs based on historical repair costs. Warranty costs have historically been within the Company s expectations and the provisions established. If such costs were to substantially exceed estimates, this could have an adverse effect on the Company s operating results.

Stock-Based Compensation

Under the accounting guidance for share-based payments, the Company utilizes the Black-Scholes option-pricing model to calculate the fair value of each option at the grant date which requires that certain assumptions be made. The expected life of stock option grants is determined using historical data and represents the time period during which the stock option is expected to be outstanding until it is exercised. The risk free interest rate is the yield on the grant date of U.S. Treasury constant maturities with a maturity date closest to the expected life of the stock option. The expected stock price volatility is derived from historical volatility and calculated based on the estimated term structure of the stock option grant. The expected dividend yield is calculated using the expected annualized dividend which remains constant during the expected term of the option.

Compensation expense for equity instruments is accrued based on the estimated number of instruments for which the requisite service is expected to be rendered. This estimate is reflected in the period of change. Expense related to stock option compensation is recognized on a straight-line basis over the vesting term.

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Income Taxes

The Company follows the asset and liability method of accounting for income taxes under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax laws and tax rates in each jurisdiction where the Company operates, and applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period that includes the enactment date. In addition, the amounts of any future tax benefits are reduced by a valuation allowance to the extent such benefits are not expected to be realized on a more-likely-than-not basis. The Company calculates estimated income taxes in each of the jurisdictions in which it operates. This process involves estimating actual current tax expense along with assessing temporary differences resulting from differing treatment of items for both book and tax purposes. See Note 7 to the Company s Consolidated Financial Statements for further information regarding income taxes.

The Company follows guidance for accounting for uncertainty in income taxes. This guidance clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements and prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. This guidance also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transitions.

RESULTS OF OPERATIONS

The following is a discussion of the results of operations for fiscal 2013 compared to fiscal 2012 and fiscal 2012 compared to fiscal 2011 along with a discussion of the changes in financial condition during fiscal 2013.

The following are net sales by business segment and geographic location (in thousands):

	Fiscal Year Ended January 31,		
	2013	**2012**	**2011**
Wholesale:			
United States	$207,362	$179,699	$146,990
International	241,927	233,126	182,147
Retail	56,189	55,292	53,053
Net sales	$505,478	$468,117	$382,190

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The following table presents the Company s results of operations expressed as a percentage of net sales for the fiscal years indicated:

	Fiscal Year Ended January 31,		
	2013	2012	2011
	% of net sales	% of net sales	% of net sales
Net sales	100.0%	100.0%	100.0%
Gross margin	55.0%	54.8%	47.9%
Selling, general and administrative expenses	45.2%	47.6%	51.1%
Operating income / (loss)	9.8%	7.2%	(3.2)%
Other income	0.0%	0.2%	0.0%
Interest expense	0.1%	0.3%	0.6%
Interest income	0.1%	0.1%	0.1%
(Benefit) / provision for income taxes	(1.7)%	0.1%	2.3%
Noncontrolling interests	0.2%	0.1%	0.2%
Income / (loss) from continuing operations, net of tax	11.3%	6.8%	(6.1)%
(Loss) from discontinued operations, net of tax	0.0%	0.0%	(6.2)%
Net income / (loss) attributed to Movado Group, Inc.	11.3%	6.8%	(12.3)%

Fiscal 2013 Compared to Fiscal 2012

Net Sales

Net sales in fiscal 2013 were $505.5 million, $37.4 million or 8.0% above the prior year. Net sales in fiscal 2013 included a charge of $4.9 million related to the repositioning of the Coach watch brand from a collection priced to be sold in a department store s fine watch department to one suitable for sale in the fashion watch department. The charge represents the Company s estimated cost of the aggregate sales allowance to Coach watch retailers affected by the repositioning. Net sales in fiscal 2012 included a sale of certain proprietary movements for $3.0 million. The increase in net sales was driven by growth in both the United States and international locations of the wholesale segment. For fiscal 2013, fluctuations in foreign currency exchange rates unfavorably impacted net sales by $7.6 million when compared to the prior year.

United States Wholesale Net Sales

Net sales in fiscal 2013 in the United States location of the wholesale segment were $207.4 million, above the prior year period by $27.7 million or 15.4%, driven by sales increases in both the accessible luxury and licensed brand categories. Net sales in the accessible luxury category were above prior year by $19.8 million, or 17.5%, primarily due to strong sell-through in the Company s distribution channels, higher sales of the Movado BOLD, Museum and the Cerena watch collections; and the continued focus and investment in marketing and advertising. In fiscal 2013, net sales in the accessible luxury category included sales of the newly styled ESQ collection branded ESQ Movado which were offset by lower sales of the older ESQ by Movado brand collection in the first half of the year. This was pursuant to the Company s strategy to minimize non-go forward inventory and maximize go-forward inventory at the retail level. Net sales in the licensed brand category were above the prior year by $8.7 million, or

16.0%, primarily due to increased demand driven by innovative product designs and key price points that continued to resonate well with customers. Additionally, in fiscal 2013, net sales in the licensed brand category were negatively affected by a charge of $3.1 million related to the repositioning of the Coach watch brand from a collection priced to be sold in a department store s fine watch department to one suitable for sale in the fashion watch department. The charge represents the Company s estimated cost of the aggregate sales allowance to Coach watch retailers affected by the repositioning. Net sales in the luxury category were above prior year by $0.5 million.

International Wholesale Net Sales

Net sales in fiscal 2013 in the international location of the wholesale segment were $241.9 million, above the prior year period by $8.8 million or 3.8%, driven by sales increases in the licensed brand and accessible luxury brand categories, partially offset by a sales decrease in the luxury brand category. Net sales in the licensed brand category were above the prior year period by $21.0 million, or 14.7%, primarily due to continued growth in existing markets resulting from higher demand, as well as new market expansion. Additionally, in fiscal 2013, net sales in the licensed brand category were negatively affected by a charge of $1.8 million related to the repositioning of the Coach watch brand from a collection priced to be sold in a department store s fine watch department to one suitable for sale in the fashion watch department. The charge represents the Company s estimated cost of the aggregate sales allowance to Coach watch retailers affected by the repositioning. Net sales in the accessible luxury category were above the prior year period by $2.9 million, or 7.7%, primarily due to continued growth in existing markets resulting from higher demand, as well as new market expansion and sales of the newly styled ESQ collection branded ESQ Movado which launched in the current fiscal year. Net sales in the luxury category were below the prior year period by $10.3 million, or 25.5% primarily due to the category being less promotional when compared to the prior year. In fiscal 2012, net sales in the international portion of the wholesale segment included the sale of certain proprietary movements of $3.0 million. For fiscal 2013, fluctuations in foreign currency exchange rates unfavorably impacted net sales by $7.6 million when compared to the prior year.

Retail Net Sales

Net sales in fiscal 2013 in the retail segment were $56.2 million, representing a 1.6% increase from the prior year sales of $55.3 million. The increase in sales was driven by an increase in the comparable store sales of 3.7%, primarily attributable to higher customer demand. As of January 31, 2013, the Company operated 34 outlet stores, compared to 33 outlet stores and the Movado brand flagship store located at Rockefeller Center in New York City, as of January 31, 2012.

The Company considers comparable store sales to be sales of stores that were open as of February 1st of the prior fiscal year through January 31st of the current fiscal year. The Company had 33 comparable outlet stores for the year ended January 31, 2013. The sales from stores that have been relocated, renovated or refurbished are included in the calculation of comparable store sales. The method of calculating comparable store sales varies across the retail industry. As a result, the Company s method for the calculation of comparable store sales may not be the same as measures used or reported by other companies.

Gross Profit

Gross profit for fiscal 2013 was $277.9 million or 55.0% of net sales as compared to $256.3 million or 54.8% of net sales in the prior year. The increase in gross profit of $21.6 million was primarily due to

higher net sales and, to a lesser extent, higher gross margin percentage achieved. The gross margin percentage for fiscal 2013 was favorably impacted by approximately 70 basis points resulting from leverage gained on certain fixed costs due to the increase in sales volume year-over-year; partially offset by approximately 40 basis points due to a charge for a sales allowance related to the repositioning of the Coach watch brand. To a lesser extent, the gross margin percentage was favorably impacted by fluctuations in foreign currency exchange rates, partially offset by a shift in channel and product mix.

Selling, General and Administrative

SG&A expenses for fiscal 2013 were $228.5 million, representing an increase of $5.8 million or 2.6%. The increase in SG&A expense primarily included higher compensation and benefit expense of $6.2 million recorded during the current year resulting from higher performance-based compensation, separation agreements, higher headcount and salary increases. Higher marketing expense of $3.9 million was recorded during the current year resulting from the Company s decision to continue investment in this area to drive sales growth. Additionally, the increase in SG&A expenses included higher rent related expenses of $0.8 million, due to the move of the Company s Swiss offices. These increases in SG&A expenses were partially offset by the effect of fluctuations in foreign currency exchange rates which favorably impacted SG&A expenses for fiscal 2013 by $5.4 million, of which $3.4 million was the result of lower transactional losses recorded year-over-year and $2.0 million was the result of decreases from the translation of foreign subsidiary results.

Wholesale Operating Income

Operating income of $38.0 million and $24.7 million, which includes unallocated corporate expenses, was recorded in the Wholesale segment for fiscal 2013 and 2012, respectively. The $13.3 million increase in operating income was the net result of an increase in gross profit of $19.3 million, partially offset by an increase in SG&A expenses of $5.9 million. The increase in gross profit of $19.3 million was primarily due to higher net sales. The increase in SG&A expense included higher compensation and benefit expense of $5.9 million recorded during the current year resulting from higher performance-based compensation, separation agreements, higher headcount and salary increases. Higher marketing expense of $3.8 million was recorded during the current year resulting from the Company s decision to continue investment in this area to drive sales growth. Additionally, the increase in SG&A expenses included higher rent related expenses of $0.8 million, due to the move of the Company s Swiss offices. These increases in SG&A expenses were partially offset by the effect of fluctuations in foreign currency exchange rates which favorably impacted SG&A expenses for fiscal 2013 by $5.4 million, of which $3.4 million was the result of lower transactional losses recorded year-over-year and $2.0 million was the result of decreases from the translation of foreign subsidiary results.

U.S. Wholesale Operating Loss

Operating loss of $9.2 million and $15.0 million, which includes unallocated corporate expenses, was recorded in the United States location of the Wholesale segment for fiscal 2013 and 2012, respectively. The decrease in loss of $5.8 million was due to higher gross profit of $16.5 million, which was attributed to higher sales and a higher gross margin percentage achieved. The higher gross profit was partially offset by higher SG&A expenses of $10.6 million, which was primarily attributed to higher compensation and benefit expense of $5.0 million recorded during the current year resulting from higher performance-based compensation, higher headcount and salary increases and higher marketing expense of $3.6 million resulting from the Company s decision to continue investment in this area to drive sales

growth. Additionally, the increase in SG&A expenses included higher computer related expenses of $1.0 million.

International Wholesale Operating Income

Operating income of $47.2 million and $39.7 million was recorded in the international location of the Wholesale segment for fiscal 2013 and 2012, respectively. The increase in income of $7.5 million was due to lower SG&A expenses of $4.7 million and higher gross profit of $2.8 million. The decrease in SG&A expenses was primarily attributed to the effect of fluctuations in foreign currency exchange rates which favorably impacted SG&A expenses for fiscal 2013 by $5.0 million when compared to prior year. Additionally, the decrease in SG&A expenses included lower computer related expenses of $1.0 million, and a reduction in Basel Fair expenses of $0.8 million. These decreases in SG&A were partially offset by higher compensation and benefit expenses of $0.9 million, an increase in rent related expenses of $0.8 million due to the move of the Company s Swiss offices, and higher marketing expense of $0.2 million. The higher gross profit of $2.8 million was primarily attributed to higher net sales.

Retail Operating Income

Operating income of $11.3 million and $8.9 million was recorded in the retail segment for fiscal 2013 and 2012, respectively. The $2.4 million increase in operating income was the result of an increase in gross profit of $2.2 million and a decrease in SG&A expenses of $0.2 million. The increase in gross profit of $2.2 million was primarily attributed to higher gross margin percentage achieved. The decrease in SG&A expenses of $0.2 million was primarily due to the closing in the current year of the Movado brand flagship store located at Rockefeller Center in New York City.

Other Income

The Company recorded other income of $0.7 million for the fiscal year ended January 31, 2012 resulting from the pre-tax gain on the sale of a building in the second quarter of fiscal 2012.

Interest Expense

Interest expense for fiscal 2013 and 2012 was $0.4 million and $1.3 million, respectively, which primarily consisted of the amortization of deferred financing costs.

For borrowings data for the years ended January 31, 2013 and 2012, see Note 4 to the Consolidated Financial Statements.

Interest Income

Interest income was $0.1 million for fiscal 2013 as compared to $0.2 million for the prior year.

Income Taxes

The Company recorded a tax benefit of $8.8 million and a tax expense of $0.6 million for fiscal 2013 and 2012, respectively. Fiscal 2013 included a tax benefit of $19.8 million attributable to the reversal of a majority of the valuation allowance on the U.S. net deferred tax assets. The effective tax rate for fiscal 2013 was -18.0%. The effective tax rate for fiscal 2012 was 1.8%. The effective tax rate for fiscal 2013 was primarily the result of the release of the majority of a valuation allowance against net deferred tax

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assets in the United States, and the net tax benefit related to foreign business restructurings in Japan and the UK. The effective tax rate for fiscal 2012 was the result of the release of a valuation allowance against net deferred tax assets in Switzerland, partially offset by the accrual of a Swiss withholding tax settlement and the continued recording of other valuation allowances, most notably the valuation allowance against net U.S. deferred tax assets, and the tax accrued on the repatriation of foreign earnings. The fluctuation in the effective tax rate is also due to a shift in the mix of global pre-tax financial results, as well as a $0.5 million discrete expense recorded in the current year for a contingent exposure relative to a recent foreign tax audit. See Note 7 to the Company s Consolidated Financial Statements for further information regarding income taxes.

For fiscal 2013 and 2012, the Company recorded net income of $57.1 million and $32.0 million, respectively.

Fiscal 2012 Compared to Fiscal 2011

Net Sales

Net sales in fiscal 2012 were $468.1 million, $85.9 million or 22.5% above the prior year. Net sales in fiscal 2012 included a sale of certain proprietary movements for $3.0 million. The increase in net sales was driven by growth in both the United States and international locations of the wholesale segment. For fiscal 2012, fluctuations in foreign currency exchange rates favorably impacted net sales by $12.5 million when compared to the prior year.

United States Wholesale Net Sales

Net sales in fiscal 2012 in the United States portion of the Wholesale segment were $179.7 million, above the prior year by $32.7 million or 22.3%, driven by sales increases in both the accessible luxury and licensed brand categories. Net sales in the accessible luxury category were above prior year by $25.5 million or 29.0%, primarily due to strong sell-through in the Company s distribution channels resulting from product innovation, such as the Movado BOLD collection, and the increased focus and spending on marketing and advertising. Additionally, prior year sales in the accessible luxury category were negatively impacted by the Company s decision to limit sales to customers the Company believed to have heightened credit risk. Net sales in the licensed brand category were above the prior year by $8.0 million or 17.3%, primarily due to increased demand driven by innovative product designs at key price points that are resonating well with customers. Net sales in the luxury category were relatively flat when compared to the prior year.

International Wholesale Net Sales

Net sales in fiscal 2012 in the international portion of the Wholesale segment were $233.1 million, above the prior year by $51.0 million or 28.0%, with increases recorded in all watch brand categories. Net sales in the licensed brands category were above the prior year by $35.0 million or 32.6%, primarily due to growth in existing markets resulting from higher demand, as well as new market expansion. Net sales in the luxury category were above the prior year by $7.5 million, or 22.7%, primarily as the result of sales of select non-core gold watch offerings in the category. Net sales in the accessible luxury category were above the prior year period by $4.9 million, or 14.7%, primarily driven by higher sales in China. Additionally, in fiscal 2012 net sales in the international portion of the Wholesale segment included a sale of certain proprietary movements of $3.0 million. For fiscal year 2012, fluctuations in foreign currency exchange rates favorably impacted net sales by $12.5 million when compared to the prior year.

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Retail Net Sales

Net sales in fiscal 2012 in the retail segment were $55.3 million, representing a 4.2% increase from the prior year sales of $53.1 million. The increase in sales was driven by an increase in the number of stores operated when compared to the prior year. As of January 31, 2012, the Company operated 33 outlet stores and the Movado brand flagship store located at Rockefeller Center in New York City, compared to 33 outlet stores as of January 31, 2011.

The Company considers comparable store sales to be sales of stores that were open as of February 1st of the last fiscal year through January 31st of the current fiscal year. The Company had 31 comparable outlet stores for the year ended January 31, 2012. The sales from stores that have been relocated, renovated or refurbished are included in the calculation of comparable store sales. The method of calculating comparable store sales varies across the retail industry. As a result, the Company s method for the calculation of comparable store sales may not be the same measures used or reported by other companies.

Gross Profit

Gross profit for fiscal 2012 was $256.3 million or 54.8% of net sales as compared to $183.0 million or 47.9% of net sales in the prior year. The increase in gross profit of $73.3 million was primarily due to higher gross margin percentage achieved and, to a lesser extent, higher net sales. The gross margin percentage for fiscal 2012 was favorably impacted by approximately 120 basis points resulting from leverage gained on certain fixed costs due to the increase in sales volume year-over-year and 40 basis points related to a shift in channel and product mix. When compared to the prior year, the gross margin for fiscal 2012 was unfavorably impacted by approximately 120 basis points due to fluctuations in foreign currency exchange rates.

In fiscal 2011, gross profit, as well as gross margin percentage, were unfavorably impacted as a result of non-cash charges to record inventory at market value. In the fourth quarter of fiscal 2011, the Company recorded a net non-cash charge of approximately $24.1 million to write-down certain inventories to market value, primarily inventories of non-core gold watches and related parts and mechanical movements. The change in inventory related charges year-over-year had a positive effect on gross margin in fiscal 2012 by approximately 650 basis points.

Selling, General and Administrative

SG&A expenses for fiscal 2012 were $222.8 million as compared to $195.1 million in the prior year, representing an increase of $27.7 million or 14.2%. The increase in SG&A expense includes higher compensation and benefit expense of $11.6 million resulting from salary increases, the reinstatement of certain employee benefits and performance-based compensation. Additionally, higher marketing expense of $2.3 million was recorded during the current year resulting from expenses associated with the Company s decision to increase spending in this area in an effort to drive sales growth. The effect of fluctuations in foreign currency exchange rates unfavorably impacted SG&A expenses for fiscal 2012 by $9.5 million, which was the result of increases from the translation of foreign subsidiary results. Additionally, in the current year the Company recorded a donation of $3.0 million to the Movado Group Foundation. In the prior year the Company recorded a charge for asset write-downs of $3.1 million primarily related to intangible assets, tooling, trade booths for Basel Fair and displays. In the prior year

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the Company also recorded a non-recurring benefit of $4.3 million resulting from the reversal of a previously recorded liability for a retirement agreement with the Company s late Chairman.

Wholesale Operating Income / Loss

Operating income of $24.7 million, which includes unallocated corporate expenses, was recorded in the wholesale segment for fiscal 2012 compared to an operating loss of $20.8 million recorded in the wholesale segment for fiscal 2011. The $45.5 million increase in operating income was the net result of an increase in gross profit of $71.9 million, partially offset by an increase in SG&A expenses of $26.4 million. The increase in gross profit of $71.9 million was primarily attributed to a higher gross margin percentage achieved year-over-year and, to a lesser extent, higher net sales. The increase in SG&A expenses of $26.4 million was driven by higher compensation and benefit expenses of $11.0 million, higher marketing expense of $2.3 million, as well as the unfavorable impact of foreign currency fluctuations of $9.5 million when compared to the prior year. Additionally, in the current year the Company recorded a donation of $3.0 million to the Movado Group Foundation. In the prior year the Company recorded a charge for asset write-downs of $3.1 million primarily related to intangible assets, tooling, trade booths for Basel Fair and displays. In the prior year the Company also recorded a non-recurring benefit of $4.3 million resulting from the reversal of a previously recorded liability for a retirement agreement with the Company s late Chairman.

U.S. Wholesale Operating Loss

Operating loss of $15.0 million and $10.5 million, which includes unallocated corporate expenses, was recorded in the United States location of the Wholesale segment for fiscal 2012 and 2011, respectively. The increase in loss of $4.5 million was due to higher SG&A expenses of $16.1 million, which was primarily attributed to higher compensation and benefit expenses of $5.8 million, and higher marketing expense of $1.0 million. The Company also recorded a donation of $3.0 million to the Movado Group Foundation in fiscal 2012. In the prior year, the Company recorded a non-recurring benefit of $4.3 million resulting from the reversal of a previously recorded liability for a retirement agreement with the Company s late Chairman. Also, included in the increase in SG&A expenses were higher professional fees of $0.5 million and higher travel and entertainment expenses of $0.3 million. These higher expenses were partially offset by higher gross profit of $11.6 million, which was primarily attributed to higher net sales partially offset by a lower gross margin percentage achieved.

International Wholesale Operating Income / (Loss)

Operating income of $39.7 million was recorded in the international location of the Wholesale segment for fiscal 2012 compared to an operating loss of $10.3 million recorded for fiscal 2011. The increase in income of $50.0 million was due to higher gross profit of $60.3 million which was attributed to higher sales and a higher gross margin percentage achieved. In fiscal 2011, gross profit as well as gross margin percentage were unfavorably impacted as a result of non-cash charges to record inventory at market value. In fiscal 2011, the Company recorded a net non-cash charge of approximately $20.0 million, primarily inventories of non-core gold watches and related parts and mechanical movements. This increase was partially offset by higher SG&A expenses of $10.3 million. The increase in SG&A expenses was due to the unfavorable impact of foreign currency fluctuations of $9.5 million when compared to the prior year. The increase also included higher compensation and benefit expenses of $5.2 million and higher marketing expense of $1.3 million. These increases in SG&A were partially offset by a decrease in depreciation and amortization of $2.4 million related to the write-down of certain intangible assets and a decrease in bad debt of $0.6 million. Additionally, in fiscal 2011, the Company

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recorded a charge for asset write-downs of $2.8 million primarily related to intangible assets, tooling, trade booths for Basel Fair and displays.

Retail Operating Income

Operating income of $8.9 million and $8.7 million were recorded in the retail segment in fiscal 2012 and 2011, respectively. The $0.2 million increase in income was the net result of a higher gross margin of $1.5 million, partially offset by an increase in SG&A expenses of $1.3 million. The increase in gross profit of $1.5 million was primarily attributed to the increase in sales volume year-over-year, and to a lesser extent, a higher gross margin percentage achieved. The increase in SG&A expenses of $1.3 million was primarily due to expenses for stores that were not open the full twelve months in the prior year.

Other Income

The Company recorded other income of $0.7 million for the fiscal year ended January 31, 2012 resulting from the pre-tax gain on the sale of a building in the second quarter of fiscal 2012.

Interest Expense

Interest expense for fiscal 2012 was $1.3 million which primarily consisted of the amortization of deferred financing costs. Interest expense for fiscal 2011 was $2.2 million which primarily consisted of amortization of deferred financing costs, as well as interest on outstanding borrowings under the Company s credit facility. For fiscal 2012 the Company had no outstanding borrowings under its credit facility and for fiscal 2011 the Company ended the year with no outstanding borrowings under its credit facility with an average debt borrowing of $8.4 million for fiscal 2011.

For borrowings data for the years ended January 31, 2012 and 2011, see Note 4 to the Consolidated Financial Statements.

Interest Income

Interest income was $0.2 million for fiscal 2012 as compared to $0.3 million for the prior year.

Income Taxes

The Company recorded tax expense of $0.6 million and $8.8 million for fiscal years 2012 and 2011, respectively. The effective tax rate for fiscal 2012 was 1.8%, primarily as a result of the release of a valuation allowance against net deferred tax assets in Switzerland, partially offset by the accrual of a Swiss withholding tax settlement and the continued recording of other valuation allowances, most notably the valuation allowance against net U.S. deferred tax assets, and the tax accrued on the repatriation of foreign earnings. The effective tax rate for fiscal 2011 was -62.7% for continuing operations, primarily as a result of the establishment of a valuation allowance against net deferred tax assets in Switzerland, in addition to continued recording of other valuation allowances, and the tax accrued on the repatriation of foreign earnings. See Note 7 to the Company s Consolidated Financial Statements for further information regarding income taxes.

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Loss From Discontinued Operations

The Company recorded the financial results of its Movado boutique division as discontinued operations, which ceased doing business during the quarter ended July 31, 2010. For fiscal 2011 the Company recorded a loss from discontinued operations of $23.7 million, all of which was recorded in the first half of the fiscal year.

Net Income / Loss Attributed to Movado Group, Inc.

For fiscal 2012, the Company recorded net income of $32.0 million compared to a net loss of $47.2 million for the prior year.

LIQUIDITY AND CAPITAL RESOURCES

At January 31, 2013 and January 31, 2012 the Company had $167.9 million and $182.2 million of cash and cash equivalents, $135.1 million and $123.8 million of which consisted of cash and cash equivalents at the Company s foreign subsidiaries, respectively. The majority of the foreign cash balances are associated with earnings that the Company has asserted are permanently reinvested, and which are required to support continued growth outside the U.S. through funding of capital expenditures, operating expenses and similar cash needs of the foreign operations. With regard to fiscal 2012 earnings, the Company provided tax on approximately $10.3 million of earnings. No earnings were repatriated in either year.

Cash provided by operating activities was $38.8 million for fiscal 2013 compared to $86.1 million for fiscal 2012. Cash provided by operating activities of $38.8 million for fiscal 2013 was primarily the result of net income for the period of $57.9 million and favorable non-cash items of $1.5 million partially offset by an unfavorable change in working capital of $20.7 million. The change in working capital of $20.7 million in fiscal 2013 was primarily due to the decrease in liabilities and increase in certain current assets. Cash provided by operating activities of $86.1 million for fiscal 2012 was primarily the result of net income for the period of $32.6 million and favorable non-cash items of $5.2 million and a favorable change in working capital of $48.6 million. The change in working capital of $48.6 million in fiscal 2012 was primarily due to the decrease in inventory and increase in liabilities.

Historically, cash generated by operating activities has been the Company s primary source of cash to fund its growth initiatives and to pay dividends. The Company expects to primarily rely on cash generated by operating activities to fund such activities during fiscal 2014.

Cash used in investing activities amounted to $16.3 million for fiscal 2013 compared to cash used of $7.2 million for fiscal 2012. The cash used during both periods consisted of capital expenditures which included integration of computer hardware and software in conjunction with the SAP enterprise resource planning system, office improvements, shop in shops, renovations to the Company outlet stores, as well as spending for tooling and design. For fiscal 2013, cash used in investing activities of $16.3 million also included spending for the move of the Company s Swiss offices and Basel Fair booths. For fiscal 2012, cash used in investing activities of $7.2 million also included proceeds from a sale of an asset held for sale of $1.2 million.

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Cash used in financing activities amounted to $38.4 million for fiscal 2013 compared to cash used in financing activities of $1.5 million for fiscal 2012. Cash used in financing activities for both fiscal 2013 and 2012 was primarily to pay dividends.

On July 17, 2009, the Company, together with Movado Group Delaware Holdings Corporation, Movado Retail Group, Inc. and Movado LLC (together with the Company, the Borrowers), each a wholly-owned domestic subsidiary of the Company, entered into an Amended and Restated Loan and Security Agreement (the Original Loan Agreement) with Bank of America, N.A. and Bank Leumi USA, as lenders (Lenders), and Bank of America, N.A., as agent (in such capacity, the Agent). The parties amended the Original Loan Agreement by entering into Amendment No. 1 thereto (First Amendment) on April 5, 2011 and Amendment No. 2 thereto (Second Amendment) on March 12, 2012 (the Original Loan Agreement, as so amended, the Loan Agreement). The Loan Agreement provides for a $25.0 million asset based senior secured revolving credit facility (the Facility), including a $15.0 million letter of credit subfacility, and provides that Borrowers are entitled to request that Lenders increase the Facility up to $50 million subject to any additional terms and conditions the parties may agree upon. The maturity date of the Facility is March 12, 2015.

Availability under the Facility is determined by reference to a borrowing base which is based on the sum of a percentage of eligible accounts receivable and eligible inventory of the Borrowers. $10.0 million in availability is blocked unless the Borrowers have achieved for the most recently ended four fiscal quarter period a consolidated fixed charge coverage ratio of at least 1.25 to 1.0 with domestic EBITDA greater than $10.0 million. The Borrowers are not currently subject to the availability block. The availability block, if applicable, will be reduced by the amount by which the borrowing base exceeds $25.0 million, up to a maximum reduction of $5.0 million. Availability under the Facility may be further reduced by certain reserves established by the Agent in its good faith credit judgment. The Second Amendment reduced the Lenders total commitment under the Loan Agreement from $55.0 million to $25.0 million and consequently availability was correspondingly reduced. As of January 31, 2013, total availability under the Facility, giving effect to an availability block of $0, no outstanding borrowings and the letters of credit outstanding under the subfacility, was $20.4 million.

The initial applicable margin for LIBOR rate loans was 4.25% and for base rate loans was 3.25%. After July 17, 2010, the applicable margins decreased or increased by 0.25% per annum from the initial applicable margins depending on whether average availability for the most recently completed fiscal quarter was either greater than $12.5 million, or was $5.0 million or less, respectively. The First Amendment reduced the applicable margins for both LIBOR rate loans and base rate loans by 1.25% and the Second Amendment further reduced the applicable margins by 0.75%. Accordingly, as of January 31, 2013 and based on current availability, the applicable margins were 2.00% and 1.00% for LIBOR and base rate loans, respectively.

After the date (the Block Release Date) when availability under the Facility is no longer subject to any blocked amount, if borrowing availability is less than $12.5 million, the Borrowers will be subject to a minimum fixed charge coverage ratio until such time as borrowing availability has been greater than $12.5 million for at least 90 consecutive days.

After the Block Release Date, cash dominion will be imposed if borrowing availability is less than $10.0 million and will continue until such time as borrowing availability has been greater than $10.0 million for at least 45 consecutive days. As of January 31, 2013, the Borrowers were not subject to cash dominion, nor do the Borrowers expect to be subject to such a requirement in the foreseeable future.

The Loan Agreement contains additional affirmative and negative covenants binding on the Borrowers and their subsidiaries that are customary for asset based facilities, including, but not limited to, restrictions and limitations on the incurrence of debt for borrowed money and liens, dispositions of assets, capital expenditures, dividends and other payments in respect of equity interests, the making of loans and equity investments, prepayments of subordinated and certain other debt, mergers, consolidations, liquidations and dissolutions, and transactions with affiliates. The Loan Agreement permits Borrowers to pay distributions as dividends and make share repurchases up to an aggregate of $150.0 million (less the amount of any charitable donations made by the Company which are permitted up to an aggregate amount of $14 million) and make acquisitions up to an aggregate of $50.0 million, as long as, at the time of such transaction, either (A) Borrowers have cash assets of at least $60.0 million with no revolver loans outstanding, or (B) (i) the consolidated fixed charge coverage ratio is at least 1.25 to 1.00, (ii) availability is greater than $12.5 million and (iii) positive EBITDA plus repatriated cash dividends minus restricted payments are greater than $0. The Company believes that, as of January 31, 2013, it was in compliance with these financial covenants and, therefore, that it is permitted to pay dividends. The Company presently expects that it will be able to pay any dividends declared through the remaining term of the Facility.

The Loan Agreement contains events of default that are customary for facilities of this type, including, but not limited to, nonpayment of principal, interest, fees and other amounts when due, failure of any representation or warranty to be true in any material respect when made or deemed made, violation of covenants, cross default, material judgments, material ERISA liability, bankruptcy events, material loss of collateral in excess of insured amounts, asserted or actual revocation or invalidity of the loan documents, change of control and events or circumstances having a material adverse effect. The borrowings under the Facility are joint and several obligations of the Borrowers and also cross-guaranteed by each Borrower. In addition, the Borrowers obligations under the Facility are secured by first priority liens, subject to permitted liens, on substantially all of the Borrowers U.S. assets (other than certain excluded assets).

A Swiss subsidiary of the Company maintains unsecured lines of credit with an unspecified length of time with a Swiss bank. As of January 31, 2013 and 2012, these lines of credit totaled 10 million Swiss francs for both periods, with dollar equivalents of $11.0 million and $10.9 million, respectively. As of January 31, 2013 and 2012, there were no borrowings against these lines. As of January 31, 2013, two European banks and a bank in Dubai have guaranteed obligations to third parties on behalf of two of the Company s foreign subsidiaries in the amount of $2.3 million in various foreign currencies.

For the fiscal year ending January 31, 2014, the Company anticipates paying four quarterly dividends totaling $0.20 per share of common stock and class A common stock, or approximately $5.0 million based on the current number of outstanding shares. For the year ended January 31, 2013, the Company paid four quarterly dividends totaling $0.20 per share of common stock and class A common stock, or approximately $5.0 million based on the current number of outstanding shares and two special dividends of $0.50 and $0.75 per share of common stock and class A common stock, or approximately $31.6 million based on the current number of outstanding shares. The Company paid quarterly cash dividends totaling $0.12 per share, or approximately $3.0 million, for the year ended January 31, 2012. No cash dividends were paid in fiscal 2011.

On March 20, 2013, the Board approved the payment of a cash dividend on April 16, 2013 in the amount of $0.05 per share of the Company s outstanding common stock and class A common stock held by shareholders of record as of the close of business on April 2, 2013. However, the decision of whether to declare any future cash dividend, including the amount of any such dividend and the establishment of

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record and payment dates, will be determined, in each quarter, by the Board of Directors, in its sole discretion.

On March 20, 2013, the Board approved a share repurchase program under which the Company may purchase up to $50 million of its outstanding common shares from time to time, depending on market conditions, share price and other factors. The authorization expires on January 31, 2016, and the Company may purchase shares of its common stock through open market purchases, block trades or otherwise. The shares will be purchased primarily to mitigate the dilutive impact of equity grants during the course of the next few years. Therefore, the Company does not expect the share repurchase program to have a significant impact on the weighted average of shares outstanding for fiscal 2014. Coincident with its approval of the share repurchase program on March 20, 2013, the Board rescinded a previous share repurchase program authorized in April 2008, under which the Company had repurchased a total of 937,360 shares of common stock in the open market during the first and second quarters of fiscal 2009 at a total cost of approximately $19.5 million or $20.79 average per share. During the twelve months ended January 31, 2013, the Company did not repurchase shares of Common Stock under this program.

At January 31, 2013, the Company had working capital of $360.6 million as compared to $346.2 million in the prior year. The change in working capital is primarily due to prior year inventory reduction initiatives and the timing of payments. The Company defines working capital as the difference between current assets and current liabilities.

The Company expects that annual capital expenditures in fiscal 2014 will be approximately $17 million as compared to approximately $18 million in fiscal 2013. The capital spending will be primarily for projects in the ordinary course of business including facilities improvements, computer hardware and software upgrades and tooling costs. The Company has the ability to manage a portion of its capital expenditures on discretionary projects. Management believes that the cash on hand in addition to the expected cash flow from operations and the Company s short-term borrowing capacity will be sufficient to meet its working capital needs for at least the next twelve months.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

Payments due by period (in thousands):

	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Contractual Obligations:					
Operating Lease Obligations (1)	$50,212	$10,406	$18,874	$15,746	$5,186
Purchase Obligations (2)	76,187	76,187	-	-	-
Other Long-Term Obligations (3)	129,235	31,585	49,947	38,870	8,833
Total Contractual Obligations	$255,634	$118,178	$68,821	$54,616	$14,019

(1) Includes store operating leases, which generally provide for payment of direct operating costs in addition to rent. These obligation amounts include future minimum lease payments and exclude direct operating costs.

(2) The Company had outstanding purchase obligations with suppliers at the end of fiscal 2013 for raw materials, finished watches and packaging in the normal course of business. These purchase obligation amounts do not represent total anticipated purchases but represent only amounts to be paid for items required to be purchased under agreements that are enforceable, legally binding and specify minimum quantity, price and term.

(3) Other long-term obligations primarily consist of two items: minimum commitments related to the Company s license agreements and endorsement agreements with brand ambassadors. The Company sources, distributes, advertises and sells

watches pursuant to its exclusive license agreements with unaffiliated licensors. Royalty amounts are generally based on a stipulated percentage of revenues, although most of these agreements contain provisions for the payment of minimum annual royalty amounts. The license agreements have various terms and some have additional renewal options, provided that minimum sales levels are achieved. Additionally, the license agreements require the Company to pay minimum annual advertising amounts.

Unrecognized tax benefits at January 31, 2013 of $3.6 million and accrued interest and penalties of $2.0 million (both gross of tax benefit) are not included above. The final outcome of tax uncertainties is dependent upon various matters including tax examinations, interpretation of the applicable tax laws or expiration of statutes of limitations. The Company believes that its tax positions comply with applicable tax law and that it has adequately provided for these matters. However, the audits may result in proposed assessments where the ultimate resolution may result in the Company owing additional taxes. Management anticipates that it is reasonably possible that the total gross amount of unrecognized tax benefits will decrease by approximately $1.8 million in the next 12 months due to the potential expiration of the statute of limitations for certain tax return examinations, a portion of which may affect the effective tax rate; however, management does not currently anticipate a significant effect on net earnings. Future developments may result in a change in this assessment.

Off-Balance Sheet Arrangements

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

Recent Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU No. 2013-02 requires presentation of reclassification adjustments from each component of accumulated other comprehensive income either in a single note or parenthetically on the face of the financial statements, for those amounts required to be reclassified into Net income in their entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety in the same reporting period, cross-reference to other disclosures is required. As permitted under ASU 2013-02, the Company has elected to present reclassification adjustments from each component of accumulated other comprehensive income within a single note to the financial statements beginning in the first quarter of fiscal 2014.

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-05, Presentation of Comprehensive Income. ASU No. 2011-05 eliminates the current option to disclose other comprehensive income and its components in the statement of changes in equity. As permitted under ASU No. 2011-05, the Company has elected to present items of Net income and Other comprehensive income in two separate consecutive statements beginning in the first quarter of fiscal 2013.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk

Foreign Currency Exchange Rate Risk

The Company s primary market risk exposure relates to foreign currency exchange risk (see Note 5 to the Consolidated Financial Statements). A significant portion of the Company s purchases are denominated in Swiss francs. The Company reduces its exposure to the Swiss franc exchange rate risk through a hedging program. Under the hedging program, the Company manages most of its foreign currency exposures on a consolidated basis, which allows it to net certain exposures and take advantage of natural offsets. In the event these exposures do not offset, the Company uses various derivative financial instruments to further reduce the net exposures to currency fluctuations, predominately forward and option contracts. When entered into, the Company designates and documents these derivative instruments as a cash flow hedge of a specific underlying exposure, and sets forth the risk management objectives and strategies for undertaking the hedge transactions. Changes in the fair value of a derivative that is designated and documented as a cash flow hedge, and which are highly effective, are recorded in other comprehensive income until the underlying transaction affects earnings, and then are later reclassified into earnings in the same account as the hedged transaction. The earnings impact is partially offset by the effects of currency movements on the underlying hedged transactions. If the Company does not engage in a hedging program, any change in the Swiss franc to local currency would have an equal effect on the Company s cost of sales.

The Company uses forward exchange contracts to offset its exposure to certain foreign currency receivables and liabilities. These forward contracts are not designated as qualified hedges and, therefore, changes in the fair value of these derivatives are recognized into earnings, thereby offsetting the current earnings effect of the related foreign currency receivables and liabilities.

As of January 31, 2013, the Company s entire net forward contracts hedging portfolio consisted of 36.0 million Swiss francs equivalent for various expiry dates ranging through July 22, 2013 compared to a portfolio of 38.0 million Swiss francs equivalent for various expiry dates ranging through July 19, 2012 as of January 31, 2012. If the Company were to settle its Swiss franc forward contracts at January 31, 2013, the net result would be a gain of $0.6 million, net of tax expense of $0.3 million. The Company had no Swiss franc option contracts related to cash flow hedges as of January 31, 2013 or January 31, 2012.

The Company s Board of Directors authorized the hedging of the Company s Swiss franc denominated investment in its wholly-owned Swiss subsidiaries using purchase options under certain limitations. These hedges are treated as net investment hedges under the relevant accounting guidance regarding derivative instruments. As of January 31, 2013 and 2012, the Company did not hold a purchased option hedge portfolio related to net investment hedging.

Commodity Risk

The Company considers its exposure to fluctuations in commodity prices to be primarily related to gold used in the manufacturing of the Company s watches. Under a hedging program, the Company can purchase various commodity derivative instruments, primarily future contracts. These derivatives are documented as qualified cash flow hedges, and gains and losses on these derivative instruments are first reflected in other comprehensive income, and later reclassified into earnings, partially offset by the effects of gold market price changes on the underlying actual gold purchases. The Company did not hold any futures contracts in its gold hedge portfolio related to cash flow hedges as of January 31, 2013 and 2012, thus any changes in the gold price will have an equal effect on the Company s cost of sales.

During the fourth quarter of fiscal 2011, the Company concluded it would significantly reduce its offering of gold watches and the Company decided to melt its non-core inventory of gold watches because the current salvage value of the gold was adequate and could be easily and quickly realized, while significant excessive time, effort and costs would be required to sell the gold watches. As a result, the Company entered into commodity futures contracts to offset its exposure to the fluctuating value of gold. These futures contracts are not designated as qualified hedges and, therefore, changes in the fair value of these derivatives were recognized into earnings, thereby offsetting the earnings effect of fluctuations in the sale price of gold. As of January 31, 2013 and 2012, the Company held no commodity futures contracts related to gold.

Debt and Interest Rate Risk

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. As of January 31, 2013, the Company had no outstanding debt. For additional information concerning potential changes to future interest obligations, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company s disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, and the Company s Chief Executive Officer and Chief Financial Officer have concluded that such disclosure controls and procedures are effective at that reasonable assurance level. However, it should be noted that a control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that its objectives will be met and may not prevent all errors or instances of fraud.

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company s disclosure controls and procedures, as such terms are defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company s disclosure controls and procedures are effective at a reasonable assurance level as of the end of the period covered by this report.

The Company s Chief Executive Officer and Chief Financial Officer have furnished the Sections 302 and 906 certifications required by the U.S. Securities and Exchange Commission in this annual report on Form 10-K. In addition, the Company s Chief Executive Officer certified to the NYSE in June 2012 that he was not aware of any violation by the Company of the NYSE s corporate governance listing standards.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company s internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the year ended January 31, 2013, that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

See Consolidated Financial Statements and Supplementary Data for Management s Annual Report on Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is included in the Company s Proxy Statement for the 2013 annual meeting of shareholders under the captions Election of Directors and Management and is incorporated herein by reference.

Information on the beneficial ownership reporting for the Company s directors and executive officers is contained in the Company s Proxy Statement for the 2013 annual meeting of shareholders under the caption Section 16(a) Beneficial Ownership Reporting Compliance and is incorporated herein by reference.

Information on the Company s Audit Committee and Audit Committee Financial Expert is contained in the Company s Proxy Statement for the 2013 annual meeting of shareholders under the caption Information Regarding the Board of Directors and Its Committees and is incorporated herein by reference.

The Company has adopted and posted on its website at www.movadogroup.com a Code of Business Conduct and Ethics that applies to all directors, officers and employees, including the Company s Chief Executive Officer, Chief Financial Officer and principal financial and accounting officers. The Company will post any amendments to the Code of Business Conduct and Ethics, and any waivers that are required to be disclosed by SEC regulations, on the Company s website.

Item 11. Executive Compensation

The information required by this item is included in the Company s Proxy Statement for the 2013 annual meeting of shareholders under the captions Executive Compensation and Compensation of Directors and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is included in the Company s Proxy Statement for the 2013 annual meeting of shareholders under the caption Security Ownership of Certain Beneficial Owners and Management and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this item is included in the Company s Proxy Statement for the 2013 annual meeting of shareholders under the caption Certain Relationships and Related Transactions and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item is included in the Company s Proxy Statement for the 2013 annual meeting of shareholders under the caption Fees Paid to PricewaterhouseCoopers LLP and is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report

1. Financial Statements:

See Financial Statements Index on page 52 included in Item 8 of Part II of this annual report.

2. Financial Statement Schedule:

Schedule II	Valuation and Qualifying Accounts and Reserves

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

3. Exhibits:

Incorporated herein by reference is a list of the Exhibits contained in the Exhibit Index on pages 58 through 64 of this annual report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MOVADO GROUP, INC.

(Registrant)

Dated: March 26, 2013	By:	/s/ Efraim Grinberg Efraim Grinberg Chairman of the Board of Directors and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Dated: March 26, 2013	/s/ Efraim Grinberg Efraim Grinberg Chairman of the Board of Directors and Chief Executive Officer
Dated: March 26, 2013	/s/ Richard J. Coté Richard J. Coté President and Chief Operating Officer
Dated: March 26, 2013	/s/ Sallie A. DeMarsilis Sallie A. DeMarsilis Senior Vice President, Chief Financial Officer and Principal Accounting Officer
Dated: March 26, 2013	/s/ Alex Grinberg Alex Grinberg Senior Vice President Customer/Consumer Centric Initiatives
Dated: March 26, 2013	/s/ Margaret Hayes Adame Margaret Hayes Adame Director
Dated: March 26, 2013	/s/ Alan H. Howard

Alan H. Howard
Director

Dated: March 26, 2013

/s/ Richard D. Isserman
Richard D. Isserman
Director

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Dated: March 26, 2013	/s/ Nathan Leventhal Nathan Leventhal Director
Dated: March 26, 2013	/s/ Donald Oresman Donald Oresman Director
Dated: March 26, 2013	/s/ Maurice Reznik Maurice Reznik Director
Dated: March 26, 2013	/s/ Leonard L. Silverstein Leonard L. Silverstein Director

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EXHIBIT INDEX

Exhibit Number	Description
3.1	Restated By-Laws of the Registrant. Incorporated by reference to Exhibit 3.1 to the Registrant s Current Report on Form 8-K filed on February 8, 2008.
3.2	Restated Certificate of Incorporation of the Registrant as amended. Incorporated herein by reference to Exhibit 3(i) to the Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 1999.
4.1	Specimen Common Stock Certificate. Incorporated herein by reference to Exhibit 4.1 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 1998.
10.1	Amendment Number 1 to License Agreement dated December 9, 1996 between the Registrant as Licensee and Coach, a division of Sara Lee Corporation as Licensor, dated as of February 1, 1998. Incorporated herein by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended October 31, 1998.
10.2	License agreement dated January 1, 1992, between The Hearst Corporation and the Registrant, as amended on January 17, 1992. Incorporated herein by reference to Exhibit 10.8 to the Registrant s Registration Statement on Form S-1 (Registration No. 33-666000).
10.3	Letter Agreement between the Registrant and The Hearst Corporation dated October 24, 1994 executed October 25, 1995 amending License Agreement dated as of January 1, 1992, as amended. Incorporated herein by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended October 31, 1995.
10.4	Registrant s 1996 Stock Incentive Plan amending and restating the 1993 Employee Stock Option Plan. Incorporated herein by reference to Exhibit 10.5 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended October 31, 1996. *

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Exhibit Number	Description
10.5	License Agreement dated December 9, 1996 between the Registrant and Coach, a division of Sara Lee Corporation. Incorporated herein by reference to Exhibit 10.32 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 1997.
10.6	Amendment Number 2 dated as of September 1, 1999 to the December 9, 1996 License Agreement between Coach, a division of Sara Lee Corporation, and the Registrant. Incorporated herein by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended October 31, 1999.
10.7	Severance Agreement dated December 15, 1999, and entered into December 16, 1999 between the Registrant and Richard J. Coté. Incorporated herein by reference to Exhibit 10.35 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 2000. *
10.8	Lease made December 21, 2000 between the Registrant and Mack-Cali Realty, L.P. for premises in Paramus, New Jersey together with First Amendment thereto made December 21, 2000. Incorporated herein by reference to Exhibit 10.22 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 2000.
10.9	Lease Agreement dated May 22, 2000 between Forsgate Industrial Complex and the Registrant for premises located at 105 State Street, Moonachie, New Jersey. Incorporated herein by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended April 30, 2000.
10.10	Second Amendment of Lease dated July 26, 2001 between Mack-Cali Realty, L.P., as landlord, and Movado Group, Inc., as tenant, further amending lease dated as of December 21, 2000. Incorporated herein by reference to Exhibit 10.2 to the Registrant s Quarterly Report on Form 10-Q filed for the quarter ended October 31, 2001.
10.11	Third Amendment of Lease dated November 6, 2001 between Mack-Cali Realty, L.P., as lessor, and Movado Group, Inc., as lessee, for additional space at Mack-Cali II, One Mack Drive, Paramus, New Jersey. Incorporated herein by reference to Exhibit 10.4 to the Registrant s Quarterly Report on Form 10-Q filed for the quarter ended October 31, 2001.

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Exhibit Number	Description
10.12	Amendment Number 2 to Registrant s 1996 Stock Incentive Plan dated March 16, 2001. Incorporated herein by reference to Exhibit 10.27 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 2002.*
10.13	Amendment Number 3 to Registrant s 1996 Stock Incentive Plan approved June 19, 2001. Incorporated herein by reference to Exhibit 10.28 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 2002.*
10.14	Amendment Number 3 to License Agreement dated December 9, 1996, as previously amended, between the Registrant, Movado Watch Company S.A. and Coach, Inc., dated as of January 30, 2002. Incorporated herein by reference to Exhibit 10.29 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 2002.
10.15	Employment Agreement dated August 27, 2004 between the Registrant and Mr. Timothy F. Michno. Incorporated herein by reference to Exhibit 10.4 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended October 31, 2004. *
10.16	Master Credit Agreement dated August 17, 2004 and August 20, 2004 between MGI Luxury Group S.A. and UBS AG. Incorporated herein by reference to Exhibit 10.2 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 2004.
10.17	Fifth Amendment of Lease dated October 20, 2003 between Mack-Cali Realty, L.P. as landlord, and the Registrant as tenant further amending the lease dated as of December 21, 2000. Incorporated herein by reference to Exhibit 10.29 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 2004.
10.18	Registrant s 1996 Stock Incentive Plan, amended and restated as of April 8, 2004. Incorporated herein by reference to Exhibit 10.37 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 2005.*
10.19	License Agreement entered into November 21, 2005 by and between the Registrant, Swissam Products Limited and L.C. Licensing, Inc. Incorporated herein by reference to Exhibit 10.37 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 2006.

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Exhibit Number	Description
10.20	License Agreement effective March 27, 2006 between MGI Luxury Group S.A. and Lacoste S.A., Sporloisirs S.A. and Lacoste Alligator S.A. Incorporated herein by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended April 30, 2006.
10.21	Third Amendment to License Agreement dated as of January 1, 1992 between the Registrant and Hearst Magazines, a Division of Hearst Communications, Inc., effective February 15, 2007. Incorporated herein by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended April 30, 2007.
10.22	Amendment Number 5 to License Agreement dated December 9, 1996 between the Registrant and Coach, Inc., effective March 9, 2007. Incorporated herein by reference to Exhibit 10.2 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended April 30, 2007.
10.23	First Amendment dated as of February 27, 2009 to Lease dated May 22, 2000 between Forsgate Industrial Complex as Landlord and Movado Group, Inc. as Tenant for the premises known as 105 State Street, Moonachie, New Jersey. Incorporated herein by reference to Exhibit 10.42 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 2009.
10.24	Amendment Number 1 to the April 8, 2004 Amendment and Restatement of the Movado Group, Inc. 1996 Stock Incentive Plan. Incorporated herein by reference to Exhibit 10.4 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 2008.*
10.25	Movado Group, Inc. Amended and Restated Deferred Compensation Plan for Executives, effective January 1, 2008. Incorporated herein by reference to Exhibit 10.5 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 2008. *
10.26	Pledge Agreement, dated as of June 5, 2009, by Movado Group, Inc. and Movado Group Delaware Holdings Corporation in favor of Bank of America, N.A., as agent. Incorporated herein by reference to Exhibit 99.2 to the Registrant s Current Report on Form 8-K filed June 9, 2009.

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Exhibit Number	Description
10.27	Patent and Trademark Security Agreement dated as of June 5, 2009, by Movado Group, Inc. and Movado LLC in favor of Bank of America, N.A., as agent. Incorporated herein by reference to Exhibit 99.3 to the Registrant s Current Report on Form 8-K filed June 9, 2009.
10.28	Amended and Restated Loan and Security Agreement, dated as of July 17, 2009, by and among Movado Group, Inc., Movado Group Delaware Holdings Corporation, Movado Retail Group, Inc. and Movado LLC, as Borrowers, Bank of America, N.A. and Bank Leumi USA, as lenders, and Bank of America, N.A., as agent. Incorporated herein by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed July 23, 2009.
10.29	Amendment Number 2 to Movado Group, Inc. 1996 Stock Incentive Plan as Amended and Restated as of April 8, 2004. Incorporated herein by reference to Annex A to the Registrant s Definitive Proxy Statement filed with the SEC on May 8, 2009.*
10.30	Amendment Number 6 to License Agreement dated December 9, 1996 between the Registrant and Coach, Inc. effective June 4, 2009. Incorporated herein by reference to Exhibit 10.4 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 2009.
10.31	Amendment Number 7 to License Agreement dated December 9, 1996 between the Registrant and Coach, Inc. effective June 4, 2009. Incorporated herein by reference to Exhibit 10.5 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 2009.
10.32	Amended and Restated License Agreement among Tommy Hilfiger Licensing LLC, Movado Group, Inc. and Swissam Products Limited, dated as of September 16, 2009. Incorporated herein by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended October 31, 2009.
10.33	Second Amendment to License Agreement between L.C. Licensing, Inc., Movado Group, Inc. and Swissam Products Limited dated as of December 6, 2010, further amending the License Agreement dated as of November 15, 2005. Incorporated herein by reference to Exhibit 10.35 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 2011.

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Exhibit Number	Description
10.34	Tenth Amendment to Lease dated March 10, 2011 between Mack-Cali Realty, L.P., as landlord, and the Registrant, as tenant, further amending the lease dated as of December 21, 2000. Incorporated herein by reference to Exhibit 10.36 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 2011.
10.35	Amendment No.1 dated as of April 5, 2011 to Amended and Restated Loan and Security Agreement dated as of July 17, 2009 by and among the Registrant, Movado Group Delaware Holdings Corporation, Movado Retail Group, Inc. and Movado LLC, as Borrowers, Bank of America, N.A. and Bank Leumi USA, as lenders, and Bank of America, N.A., as agent. Incorporated herein by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed April 7, 2011.
10.36	Third Amendment dated as of June 1, 2011 to the License Agreement dated as of November 15, 2005 by and between L.C. Licensing, Inc., Registrant and Swissam Products Limited. Incorporated herein by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 2011.
10.37	Amendment No. 2 dated as of March 12, 2012 to Amended and Restated Loan and Security Agreement dated as of July 17, 2009, as previously amended, by and among the Registrant, Movado Group Delaware Holdings Corporation, Movado Retail Group, Inc. and Movado LLC, as Borrowers, Bank of America, N.A. and Bank Leumi USA, as lenders, and Bank of America, N.A., as agent. Incorporated herein by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed March 15, 2012.
10.38	Amended and Restated License Agreement, effective as of January 1, 2012 by and between MGI Luxury Group, S.A. and Hugo Boss Trademark Management GmbH & Co. KG. Incorporated herein by reference to Exhibit 10.39 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 2012.
10.39	License Agreement entered into as of March 22, 2012 by and between the Registrant and Ferrari S.p.A. Incorporated herein by reference to Exhibit 10.40 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 2012.

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Exhibit Number	Description
10.40	Second Amendment entered into as of September 30, 2012 to Amended and Restated License Agreement dated September 16, 2009 by 2nd between the Registrant, Swissam Products Limited and Tommy Hilfiger Licensing, LLC. Incorporated herein by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended October 31, 2012.
10.41	Fourth Amendment dated as of September 28, 2012 to License Agreement dated as of November 15, 2005 by and between the Registrant and L.C. Licensing LLC. Incorporated herein by reference to Exhibit 10.2 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended October 31, 2012.
21.1	Subsidiaries of the Registrant.**
23.1	Consent of PricewaterhouseCoopers LLP.**
31.1	Certification of Chief Executive Officer.**
31.2	Certification of Chief Financial Officer.**
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101	The following materials from the Company s Form 10-K for the year ended January 31, 2013, formatted in XBRL (eXtensible Business Reporting Language), (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income / (Loss), (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Changes in Equity, (vi) Notes to the Consolidated Financial Statements, (vii) Schedule II-Valuation and Qualifying Accounts and Reserves.***

* Constitutes a compensatory plan or arrangement

** Filed herewith

*** Pursuant to Rule 406T of Regulations S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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Management s Annual Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act, for the Company. With the participation of the Chief Executive Officer and the Chief Financial Officer, the Company s management conducted an evaluation of the effectiveness of the Company s internal control over financial reporting based on the framework and criteria established in *Internal Control Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company s management has concluded that the Company s internal control over financial reporting was effective as of January 31, 2013.

Our internal control over financial reporting as of January 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

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Report of Independent Registered Public Accounting Firm

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Movado Group, Inc. and its subsidiaries (the Company) at January 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2013, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Annual Report on Internal Control Over Financial Reporting appearing in the accompanying index. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

New York, New York

March 26, 2013

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MOVADO GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Fiscal Year Ended January 31, 2013	2012	2011
Continuing operations:			
Net sales	$505,478	$468,117	$382,190
Cost of sales	227,596	211,772	199,188
Gross profit	277,882	256,345	183,002
Selling, general and administrative	228,536	222,782	195,099
Operating income / (loss)	49,346	33,563	(12,097)
Other income, net (Note 17)	-	747	-
Interest expense	(434)	(1,277)	(2,247)
Interest income	144	199	319
Income / (loss) from continuing operations before income taxes	49,056	33,232	(14,025)
(Benefit) / provision for income taxes (Note 7)	(8,812)	604	8,792
Income / (loss) from continuing operations	57,868	32,628	(22,817)
Discontinued operations:			
(Loss) from discontinued operations, net of tax (Note 18)	-	-	(23,675)
Net income / (loss) including noncontrolling interests	57,868	32,628	(46,492)
Less: Net income attributed to noncontrolling interests	785	633	665
Net income / (loss) attributed to Movado Group, Inc.	$57,083	$31,995	($47,157)
Income / (loss) attributable to Movado Group, Inc.:			
Income /(loss) from continuing operations, net of tax	$57,083	$31,995	($23,482)
(Loss) from discontinued operations, net of tax	-	-	(23,675)
Net income / (loss)	$57,083	$31,995	($47,157)
Basic income / (loss) per share:			
Weighted basic average shares outstanding	25,267	24,926	24,753

Income / (loss) per share from continuing operations attributed to Movado Group, Inc.	$2.26	$1.28	($0.95)
(Loss) per share from discontinued operations	$-	$-	($0.96)
Net income / (loss) per share attributed to Movado Group, Inc.	$2.26	$1.28	($1.91)
Diluted income / (loss) per share:			
Weighted diluted average shares outstanding	25,664	25,141	24,753
Income / (loss) per share from continuing operations attributed to Movado Group, Inc.	$2.22	$1.27	($0.95)
(Loss) per share from discontinued operations	$-	$-	($0.96)
Net income / (loss) per share attributed to Movado Group, Inc.	$2.22	$1.27	($1.91)
Dividends declared per share	$1.45	$0.12	$-

See Notes to Consolidated Financial Statements

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MOVADO GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)

(In thousands)

	Fiscal Year Ended January 31,		
	2013	2012	2011
Comprehensive income / (loss), net of taxes:			
Net income / (loss) including noncontrolling interests	$57,868	$32,628	($46,492)
Net unrealized (loss) / gain on investments net of tax of $66, $0, $0, respectively	(19)	(47)	97
Net change in effective portion of hedging contracts	990	(851)	73
Foreign currency translation adjustments	3,448	5,714	25,431
Comprehensive income / (loss) including noncontrolling interests	62,287	37,444	(20,891)
Less: Comprehensive income attributable to noncontrolling interests	855	555	628
Total comprehensive income / (loss) attributable to Movado Group, Inc.	$61,432	$36,889	($21,519)

See Notes to Consolidated Financial Statements

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MOVADO GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	January 31, 2013	January 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$167,889	$182,201
Trade receivables	64,300	62,754
Inventories	164,354	163,680
Other current assets	37,556	25,516
Total current assets	434,099	434,151
Property, plant and equipment, net	44,501	36,290
Deferred income taxes	22,749	14,959
Other non-current assets	25,013	22,162
Total assets	$526,362	$507,562
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$22,075	$33,814
Accrued liabilities	35,047	38,822
Accrued payroll and benefits	16,089	14,261
Deferred and current income taxes payable	275	1,015
Total current liabilities	73,486	87,912
Deferred and non-current income taxes payable	5,637	7,291
Other non-current liabilities	21,547	18,285
Total liabilities	100,670	113,488
Commitments and contingencies (Notes 9 and 10)		
Equity:		
Preferred Stock, $0.01 par value, 5,000,000 shares authorized; no shares issued	-	-
Common Stock, $0.01 par value, 100,000,000 shares authorized; 26,440, 975 and 26,124,281 shares issued, respectively	264	261
Class A Common Stock, $0.01 par value, 30,000,000 shares authorized; 6,632,967 and 6,632,967 shares issued and outstanding, respectively	66	66
Capital in excess of par value	159,696	153,331
Retained earnings	272,094	251,695
Accumulated other comprehensive income	102,271	97,922

Treasury Stock, 7,634,649 and 7,776,407 shares at cost, respectively	(110,701)	(111,909)
Total Movado Group, Inc. shareholders equity	423,690	391,366
Noncontrolling interests	2,002	2,708
Total equity	425,692	394,074
Total liabilities and equity	$526,362	$507,562

See Notes to Consolidated Financial Statements

MOVADO GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Fiscal Year Ended January 31,		
	2013	2012	2011
Cash flows from operating activities:			
Net income / (loss) including noncontrolling interests	$57,868	$32,628	($46,492)
Adjustments to reconcile net income / (loss) to net cash provided by / (used in) operating activities:			
Loss from discontinued operations	-	-	23,675
Depreciation and amortization	10,608	11,408	13,705
Write-down of inventories	2,621	1,772	25,967
Foreign currency transactional losses	511	-	-
Deferred income taxes	(16,161)	(8,691)	3,715
Gain on sale of asset held for sale	-	(747)	-
Stock-based compensation	2,888	1,675	1,530
Impairment of long-lived assets	-	-	3,086
Excess (tax benefit) from stock-based compensation	(1,657)	(214)	(279)
Stock donation	2,653	-	-
Changes in assets and liabilities:			
Trade receivables	(1,139)	(2,965)	9,486
Inventories	(1,998)	19,031	2,829
Other current assets	(5,332)	6,820	8,561
Accounts payable	(11,728)	11,783	(894)
Accrued liabilities	(3,462)	8,064	1,542
Accrued payroll and benefits	1,828	6,181	4,240
Income taxes payable	1,161	(280)	1,279
Other non-current assets	(3,112)	(819)	3,802
Other non-current liabilities	3,232	416	(2,181)
Net cash provided by operating activities from continuing operations	38,781	86,062	53,571
Net cash (used in) operating activities from discontinued operations	-	-	(13,207)
Net cash provided by operating activities	38,781	86,062	40,364
Cash flows from investing activities:			
Capital expenditures	(15,978)	(8,170)	(7,303)
Trademarks	(285)	(203)	(298)
Proceeds from asset held for sale	-	1,165	-
Net cash (used in) investing activities from continuing operations	(16,263)	(7,208)	(7,601)
Net cash (used in) investing activities from discontinued operations	-	-	(100)
Net cash (used in) investing activities	(16,263)	(7,208)	(7,701)
Cash flows from financing activities:			
Proceeds of bank borrowings	-	-	30,000
Repayments of bank borrowings	-	-	(40,000)
Stock options exercised and other changes	1,575	1,373	355
Excess tax benefit from stock-based compensation	1,657	214	279

Purchase of incremental ownership of U.K. joint venture	(4,689)	-	-
Distribution of noncontrolling interests earnings	(234)	(127)	(232)
Dividends paid	(36,684)	(2,985)	-
Net cash (used in) financing activities from continuing operations	(38,375)	(1,525)	(9,598)
Net cash (used in) financing activities from discontinued operations	-	-	-
Net cash (used in) financing activities	(38,375)	(1,525)	(9,598)
Effect of exchange rate changes on cash and cash equivalents	1,545	1,856	8,976
Net (decrease) / increase in cash and cash equivalents	(14,312)	79,185	32,041
Cash and cash equivalents at beginning of year	182,201	103,016	70,975
Cash and cash equivalents at end of year	$167,889	$182,201	$103,016

See Notes to Consolidated Financial Statements

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MOVADO GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands, except per share amounts)

	Movado Group, Inc. Shareholders Equity								
	Preferred Stock	Common Stock	Class A Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Noncontrolling Interests	Total
Balance, January 31, 2010	$-	$251	$66	$138,076	$269,842	$67,390	($102,071)	$1,884	$375,438
Net (loss) / income					(47,157)			665	(46,492)
Stock options exercised, net of tax of $0		8		9,890			(9,260)		638
Supplemental executive retirement plan				(4)					(4)
Stock-based compensation expense				1,530					1,530
Net unrealized gain on investments, net of tax benefit of $0						97			97
Net change in effective portion of hedging contracts, net of tax of $0						73			73
Foreign currency translation adjustment (1)						25,468		(37)	25,431
Distribution of noncontrolling interests earnings								(232)	(232)
Balance, January 31, 2011	-	259	66	149,492	222,685	93,028	(111,331)	2,280	356,479
Net income					31,995			633	32,628
Dividends ($0.12 per share)					(2,985)				(2,985)
Stock options exercised, net of tax of $0		2		2,125			(578)		1,549
Supplemental executive retirement plan				39					39
Stock-based compensation expense				1,675					1,675
Net unrealized loss on investments, net of tax of $0						(47)			(47)
Net change in effective portion of hedging contracts, net of tax of $0						(851)			(851)
Foreign currency translation adjustment (1)						5,792		(78)	5,714
Distribution of noncontrolling interests earnings								(127)	(127)
Balance, January 31, 2012	-	261	66	153,331	251,695	97,922	(111,909)	2,708	394,074

Net income					57,083			785	57,868
Dividends ($1.45 per share)					(36,684)				(36,684)
Stock options exercised, net of tax benefit of $1,657		3		4,600			(1,461)		3,142
Supplemental executive retirement plan				91					91
Stock-based compensation expense				2,888					2,888
Net unrealized loss on investments, net of tax of $66						(19)			(19)
Net change in effective portion of hedging contracts, net of tax of $0						990			990
Stock donation				2,148			2,669		4,817
Joint venture incremental share purchase				(3,362)				(1,327)	(4,689)
Foreign currency translation adjustment (1)						3,378		70	3,448
Distribution of noncontrolling interests earnings								(234)	(234)
Balance, January 31, 2013	$-	$264	$66	$159,696	$272,094	$102,271	($110,701)	$2,002	$425,692

(1) The currency translation adjustment is not adjusted for income taxes to the extent that they relate to permanent investments in international subsidiaries.

See Notes to Consolidated Financial Statement

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NOTES TO MOVADO GROUP, INC. S CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Movado Group, Inc. (the Company) designs, sources, markets and distributes quality watches with prominent brands in almost every price category comprising the watch industry. In fiscal 2013, the Company marketed ten distinctive brands of watches: Coach, Concord, Ebel, ESQ, Scuderia Ferrari, HUGO BOSS, Juicy Couture, Lacoste, Movado, and Tommy Hilfiger, which compete in most segments of the watch market.

Movado (with the exception of Movado BOLD), Ebel and Concord watches are manufactured in Switzerland by independent third party assemblers with some in-house assembly in La Chaux-de-Fonds, Switzerland. All Movado, ESQ, Ebel and Concord watches are manufactured using Swiss movements. All the Company s products are manufactured using components obtained from third party suppliers. ESQ and Movado BOLD watches are manufactured by independent contractors in Asia using Swiss movements. Coach, Tommy Hilfiger, HUGO BOSS, Juicy Couture, Lacoste and Scuderia Ferrari watches are manufactured by independent contractors in Asia.

In addition to its sales to trade customers and independent distributors, until February 14, 2012, the Company sold select models of Movado watches directly to consumers in its Movado brand flagship store, located at Rockefeller Center in New York City. The Company also operates outlet stores throughout the United States, through which it sells discontinued models and factory seconds of all of the Company s watches.

The Company s subsidiary, Movado Retail Group, Inc., closed its Movado boutique division during its second quarter ended July 31, 2010. All of the Movado boutiques were located in the United States. Beginning in the second quarter of fiscal 2011, the financial results of the boutiques were reported as discontinued operations and presented in a separate section on the face of the Consolidated Statements of Operations and the Consolidated Statements of Cash Flows for all periods presented.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly and majority-owned joint ventures. Intercompany transactions and balances have been eliminated.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The Company uses estimates when accounting for sales discounts, allowances and incentives, warranties, income taxes, depreciation, amortization, inventory write-downs, contingencies, impairments and asset and liability valuations.

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Reclassification

Certain reclassifications were made to prior year s financial statement amounts and related note disclosures to conform to the fiscal 2013 and 2012 presentation. In fiscal 2012, certain liabilities were reclassified from accrued liabilities to accounts payable to conform to the fiscal 2013 presentation. Also, in fiscal 2012, there was a reclassification of deferred revenue for certain customers from accounts receivables to accrued liabilities to conform to the fiscal 2013 presentation. In fiscal 2011, certain items were reclassified from inventories to accrued liabilities to conform to fiscal 2012 presentation. In addition, certain prior years financial statement amounts have been adjusted to reflect the Company s change in inventory accounting discussed in *Inventories* of this section.

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 earnings 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. The balance of the foreign currency translation adjustment, included in Accumulated Other Comprehensive Income, was $102.2 million and $98.8 million as of January 31, 2013 and 2012, respectively.

Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with original maturities at date of purchase of three months or less.

Trade Receivables

Trade receivables as shown on the consolidated balance sheets are net of allowances. The allowance for doubtful accounts is determined through an analysis of the aging of accounts receivable, assessments of collectability based on historic trends, the financial condition of the Company s customers and an evaluation of economic conditions. The Company writes off uncollectible trade receivables once collection efforts have been exhausted and third parties confirm the balance is not recoverable.

The Company s trade customers include department stores, jewelry store chains and independent jewelers. All of the Company s watch brands, except ESQ, are also marketed outside the U.S. through a network of independent distributors. Accounts receivable are stated net of doubtful accounts, returns and allowances of $17.1 million, $16.2 million and $16.0 million at January 31, 2013, 2012 and 2011, respectively. In fiscal 2013, the Company recorded a charge of $4.9 million related to the repositioning of the Coach watch brand from a collection priced to be sold in a department store s fine watch department to one suitable for sale in the fashion watch department. The charge represents the Company s estimated cost of the aggregate sales allowance to Coach watch retailers affected by the repositioning.

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 national chain and department stores. 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. As of January 31, 2013, except for those accounts provided for in the reserve for doubtful accounts, the Company knew of no situations with any of the Company s major customers which would indicate any such customer s inability to make its required payments.

Inventories

The Company valued its inventory at the lower of cost or market. Effective February 1, 2011, the Company changed its method of valuing its U.S. inventories to the average cost method. In prior years, primarily all U.S. inventories were valued using the first-in, first-out (FIFO) method. With this change, all of the Company s inventories were valued using the average cost method. The Company believed that the average cost method of inventory valuation is preferable because (1) it permits the Company to use a single method of accounting for all of the Company s U.S. and international inventories, (2) it aligns costing with the Company s forecasting and procurement decisions, and (3) since a number of the Company s key competitors use the average cost method, it improves comparability of the Company s financial statements. The consolidated financial statements of prior periods presented have been adjusted to apply the accounting method retroactively, as described in the applicable accounting guidance for accounting changes and error corrections. The Company performed reviews of its on-hand inventory to determine amounts, if any, of inventory that are deemed discontinued, excess, or unsaleable. Inventory classified as discontinued, together with the related component parts which can be assembled into saleable finished goods, is sold primarily through the Company s outlet stores. When management determined that finished product is unsaleable or that it is impractical to build the remaining components into watches for sale, a charge is recorded to value those products and components at the lower of cost or market.

During the fourth quarter of fiscal 2012, the Company recorded a net pre-tax profit of $2.3 million related to the sale of certain Ebel proprietary watch movements that were previously written down in the prior year. In the fourth quarter of fiscal 2011, there were events and circumstances that resulted in the Company recording a non-cash charge of approximately $24.1 million to write-down certain inventories to market value, primarily inventories of certain non-core gold watches and related parts and mechanical movements. Certain watches in the Ebel brand line used proprietary watch movements that were assembled by the Company from parts purchased from third party suppliers. In the fourth quarter of fiscal 2011, the Company performed a strategic review of the Ebel brand and concluded that the future direction for the brand would not include the production of these proprietary movements, making inventory of these movement parts excess and obsolete. As a result, the Company recorded a charge to cost of sales for the future disposition of such inventory. Additionally, in the fourth quarter of fiscal 2011, the Company concluded it would significantly reduce its offering of gold watches, considering particularly the recent increases in the price of gold, and therefore recorded a charge to cost of sales related to non-core gold inventory. Ordinarily, the Company would utilize its outlet stores to dispose of this excess inventory; however, in performing a detailed review of the non-core inventory, the Company concluded that the time, effort and costs to sell most of the gold watches were excessive and that the current salvage value provided a quicker and adequate return. These gold watches and components were valued at market, which resulted in a charge to cost of sales. As of January 31, 2012, the Company substantially completed its initiative to recover gold from this non-core inventory.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation of buildings is amortized using the straight-line method based on the useful life of 40 years. Depreciation

of furniture and equipment is provided using the straight-line method based on the estimated useful lives of assets, which range from four to ten years. Computer software is amortized using the straight-line method over the useful life of five 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. Design fees and tooling costs are amortized using the straight-line method based on the useful life of three years. Upon the disposition of property, plant and equipment, the accumulated depreciation is deducted from the original cost and any gain or loss is reflected in current earnings.

Long-Lived Assets

The Company periodically reviews the estimated useful lives of its depreciable assets based on factors including historical experience, the expected beneficial service period of the asset, the quality and durability of the asset and the Company s maintenance policy including periodic upgrades. Changes in useful lives are made on a prospective basis unless factors indicate the carrying amounts of the assets may not be recoverable and an impairment write-down is necessary.

The Company performs an impairment review of its long-lived assets once events or changes in circumstances indicate, in management s judgment, that the carrying value of such assets may not be recoverable. When such a determination has been made, management compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment loss has occurred, the loss is recognized during that period. The impairment loss is calculated as the difference between asset carrying values and the fair value of the long-lived assets.

In the first quarter of fiscal 2011, the Company determined that the carrying value of its long-lived assets with respect to certain Movado boutiques was not recoverable. The review was performed because of the closing of the boutique division and as a result, the Company recorded a non-cash pre-tax charge of $3.4 million related to the write-downs of property, plant and equipment. This charge was included in discontinued operations in the Consolidated Statements of Operations. In the fourth quarter of fiscal 2011, the Company recorded a non-cash pre-tax charge of $3.1 million, primarily related to the write-down of certain intangible assets, tooling costs and trade booths for the Basel Fair. The review was performed because of fiscal 2011 fourth quarter losses and future forecasted losses of specific business areas. This charge was included in the selling, general and administrative expenses in the Consolidated Statements of Operations. All of the above impairment charges were calculated as the difference between the assets carrying values and their estimated fair value. In each case, the estimated fair value of the assets was zero as the future undiscounted cash flow was negative.

Deferred Rent Obligations and Contributions from Landlords

The Company accounts for rent expense under non-cancelable operating leases with scheduled rent increases on a straight-line basis over the lease term. The excess of straight-line rent expense over scheduled payments is recorded as a deferred liability. In addition, the Company receives build out contributions from landlords primarily as an incentive for the Company to lease retail store space from the landlords. This is also recorded as a deferred liability. Such amounts are amortized as a reduction of rent expense over the life of the related lease.

Capitalized Software Costs

The Company capitalizes certain computer software costs after technological feasibility has been established. The costs are amortized utilizing the straight-line method over the economic lives of the related products ranging from five to seven years.

Intangibles

Intangible assets consist primarily of trademarks and are recorded at cost. Trademarks are amortized over ten years. The Company periodically reviews intangible assets to evaluate whether events or changes have occurred that would suggest an impairment of carrying value. An impairment would be recognized when carrying value is lower than estimated fair value. At January 31, 2013 and 2012, intangible assets at cost were $12.7 million and $12.4 million, respectively, and related accumulated amortization of intangibles was $11.2 million and $10.7 million, respectively. Amortization expense for fiscal 2013, 2012 and 2011 was $0.5 million, $0.6 million and $0.9 million, respectively. As mentioned in Long-Lived Assets, impairment charges related to certain intangible assets were recorded in fiscal 2011 in the amount of $1.3 million.

Derivative Financial Instruments

The Company accounts for its derivative financial instruments in accordance with guidance which requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial condition and measure those instruments at fair value. A significant portion of the Company s purchases are denominated in Swiss francs. The Company reduces its exposure to the Swiss franc exchange rate risk through a hedging program. Under the hedging program, the Company manages most of its foreign currency exposures on a consolidated basis, which allows it to net certain exposures and take advantage of natural offsets. In the event these exposures do not offset, the Company uses various derivative financial instruments to further reduce the net exposures to currency fluctuations, predominately forward and option contracts. When entered into, the Company designates and documents these derivative instruments as a cash flow hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transactions. Changes in the fair value of a derivative that is designated and documented as a cash flow hedge and is highly effective, are recorded in other comprehensive income until the underlying transaction affects earnings, and then are later reclassified into earnings in the same account as the hedged transaction. The Company formally assesses, both at the inception and at each financial quarter thereafter, the effectiveness of the derivative instrument hedging the underlying forecasted cash flow transaction. Any ineffectiveness related to the derivative financial instruments change in fair value will be recognized in the period in which the ineffectiveness was calculated.

The Company uses forward exchange contracts to offset its exposure to certain foreign currency receivables and liabilities. These forward contracts are not qualified hedges and, therefore, changes in the fair value of these derivatives are recognized in earnings, thereby offsetting the current earnings effect of the related foreign currency receivables and liabilities.

The Company s risk management policy includes net investment hedging of the Company s Swiss franc-denominated investment in its wholly-owned subsidiaries located in Switzerland using purchased foreign currency options under certain limitations. When entered into for this purpose, the Company designates and documents the derivative instrument as a net investment hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge

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transactions. Changes in the fair value of a derivative that is designated and documented as a net investment hedge are recorded in other comprehensive income in the same manner as the cumulative translation adjustment of the Company s Swiss franc-denominated investment. The Company formally assesses, both at the inception and at each financial quarter thereafter, the effectiveness of the derivative instrument hedging the net investment.

All of the Company s derivative instruments have liquid markets to assess fair value. The Company does not enter into any derivative instruments for trading purposes.

Revenue Recognition

In the wholesale segment, the Company recognizes its revenues upon transfer of title and risk of loss in accordance with its FOB shipping point terms of sale and after the sales price is fixed and determinable and collectability is reasonably assured. In the retail segment, transfer of title and risk of loss occurs at the time of register receipt. The Company records estimates for sales returns, volume-based programs and sales and cash discount allowances as a reduction of revenue in the same period that the sales are recorded. These estimates are based upon historical analysis, customer agreements and/or currently known factors that arise in the normal course of business. While returns have historically been within the Company s expectations and the provisions established, future return rates may differ from those experienced in the past. In the event that returns are authorized at a rate significantly higher than the Company s historic rate, the resulting returns could have an adverse impact on its operating results for the period in which such results materialize. During the fourth quarter of fiscal 2013, the Company recorded a charge of $4.9 million related to the repositioning of the Coach watch brand from a collection priced to be sold in a department store s fine watch department to one suitable for sale in the fashion watch department. The charge represents the Company s estimated cost of the aggregate sales allowance to Coach watch retailers affected by the repositioning.

Cost of Sales

Cost of sales of the Company s products consist primarily of component costs, royalties, depreciation, amortization, assembly costs and unit overhead costs associated with the Company s supply chain operations in Switzerland and Asia. The Company s supply chain operations consist of logistics management of assembly operations and product sourcing in Switzerland and Asia and minor assembly in Switzerland. Through productivity improvement efforts, the Company has controlled the level of overhead costs and maintained flexibility in its cost structure by outsourcing a significant portion of its component and assembly requirements.

Cost of sales of the Company s products includes costs for raw material and components, as well as labor for assembly of finished goods, all of which can be impacted by inflation. While inflation in costs has negatively impacted gross margin percentage, this effect has not been material to the Company s results of operations for the periods presented in this report. A significant increase in these costs due to inflation could have a material adverse effect on the Company s future results of operations. While the Company may seek to offset the negative inflationary impact on these costs with price increases on its products, its ability to effectively do so will depend on the extent it can pass on price increases and still remain competitive in the marketplace.

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 cost of goods sold and, therefore, its gross margins. The Company reduces its exposure to the Swiss franc exchange rate risk through a hedging program. Under the hedging program, the Company manages most of its foreign currency exposures on a consolidated basis, which allows it to net certain exposures and take advantage of natural offsets. In the event these exposures do not offset, the Company has the ability to hedge its Swiss franc purchases using a combination of forward contracts and purchased currency options. The Company s hedging program had the effect of reducing the exchange rate impact on product costs and gross margins for fiscal years 2013, 2012 and 2011.

Selling, General and Administrative (SG&A) Expenses

The Company s SG&A expenses consist primarily of marketing, selling, distribution, general and administrative expenses. In fiscal 2013 and 2012, the Company recorded a $3.0 million pre-tax charge related to donations made to the Movado Group Foundation. In fiscal 2011, the Company recorded a non-cash pre-tax charge of $3.1 million related to the write-down of certain intangible assets, tooling costs and trade booths for the Basel Fair. In fiscal 2011, the Company also recorded a benefit of $4.3 million resulting from the reversal of a previously recorded liability for a retirement agreement with the Company s former Chairman.

Annual marketing 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. Marketing expenses include various forms of media advertising, digital advertising and co-operative advertising with customers and distributors and other point-of-sale marketing and promotion spending. For fiscal 2013, 2012 and 2011, the Company increased its investment in marketing and advertising in order to elevate its connection to consumers and better position its brands in the marketplace.

Selling expenses consist primarily of salaries, sales commissions, sales force travel and related expenses, depreciation and amortization, expenses associated with Baselworld, the annual watch and jewelry trade show, and other industry trade shows and operating costs incurred in connection with the Company s retail business. Sales commissions vary with overall sales levels. Retail selling expenses consist primarily of payroll related and store occupancy costs.

Distribution expenses consist primarily of salaries of distribution staff, rental and other occupancy costs, security, depreciation and amortization of furniture and leasehold improvements and shipping supplies.

General and administrative expenses consist primarily of salaries and other employee compensation including performance based compensation, employee benefit plan costs, office rent, management information systems costs, professional fees, bad debts, depreciation and amortization of furniture, computer software and leasehold improvements, patent and trademark expenses and various other general corporate expenses.

Warranty Costs

All watches sold by the Company come with limited warranties covering the movement against defects in material and workmanship for periods ranging from two to three years from the date of purchase, with the exception of Tommy Hilfiger watches, for which the warranty period is ten years. In addition, the warranty period is five years for the gold plating for Movado watch cases and bracelets. When changes in warranty costs are experienced, the Company will adjust the warranty liability as required. The Company records an estimate for future warranty costs based on historical repair costs. Warranty costs have historically been within the Company s expectations and the provisions established. If such costs were to substantially exceed estimates, this could have an adverse effect on the Company s operating results.

Warranty liability for the fiscal years ended January 31, 2013, 2012 and 2011 was as follows (in thousands):

	2013	2012	2011
Balance, beginning of year	$2,309	$2,149	$1,911
Provision charged to operations	2,584	2,309	2,149
Settlements made	(2,309)	(2,149)	(1,911)
Balance, end of year	$2,584	$2,309	$2,149

Pre-opening Costs

Costs associated with the opening of retail stores, including pre-opening rent, are expensed in the period incurred.

Marketing

The Company expenses the production costs of an advertising campaign at the commencement date of the advertising campaign. Included in marketing expenses are costs associated with co-operative advertising, media advertising, digital advertising, production costs and costs of point-of-sale materials and displays. These costs are recorded as SG&A expenses. The Company participates in co-operative advertising programs on a voluntary basis and receives a separately identifiable benefit in exchange for the consideration. Since the amount of consideration paid to the retailer does not exceed the fair value of the benefit received by the Company, these costs are recorded as SG&A expenses as opposed to being recorded as a reduction of revenue. Marketing expense for fiscal 2013, 2012 and 2011 amounted to $68.2 million, $64.2 million and $58.9 million, respectively.

Included in the other current assets in the consolidated balance sheets as of January 31, 2013 and 2012 are prepaid advertising costs of $0.8 million and $0.5 million, respectively. These prepaid costs represent advertising costs paid to licensors in advance, pursuant to the Company s licensing agreements and sponsorships.

Shipping and Handling Costs

Amounts charged to customers and costs incurred by the Company related to shipping and handling are included in net sales and cost of goods sold, respectively. The amounts recorded for fiscal years 2013, 2012 and 2011 were insignificant.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax laws and tax rates, in each jurisdiction the Company operates, and applies to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period that includes the enactment date. In addition, the amounts of any future tax benefits are reduced by a valuation allowance to the extent such benefits are not expected to be realized on a more-likely-than-not basis. The Company calculates estimated income taxes in each of the jurisdictions in which it operates. This process involves estimating actual current tax expense along with assessing temporary differences resulting from differing treatment of items for both book and tax purposes.

The Company follows guidance for accounting for uncertainty in income taxes. This guidance clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements and prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. This guidance also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transitions.

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 approximately 25,267,000, 24,926,000 and 24,753,000 for fiscal 2013, 2012 and 2011, respectively. For the years ended January 31, 2013 and 2012, the number of shares outstanding for diluted earnings per share were approximately 25,664,000 and 25,141,000, respectively. For January 31, 2011, the number of shares outstanding for diluted earnings per share was the same as the basic earnings per share because the Company generated a net loss. For the years ended January 31, 2013 and 2012, the number of shares outstanding for diluted earnings per share were increased by approximately 397,000 and 215,000 due to potentially dilutive common stock equivalents issuable under the Company s stock compensation plans.

For the years ended January 31, 2013, 2012, and 2011 approximately 276,000 and 593,000, 685,000, respectively, of potentially dilutive common stock equivalents were excluded from the computation of dilutive earnings per share because their effect would have been antidilutive.

Stock-Based Compensation

Under the accounting guidance for share-based payments, the Company utilizes the Black-Scholes option-pricing model which requires that certain assumptions be made to calculate the fair value of each option at the grant date. The expected life of stock option grants is determined using historical data and represents the time period during which the stock option is expected to be outstanding until it is exercised. The risk free interest rate is the yield on the grant date of U.S. Treasury constant maturities with a maturity date closest to the expected life of the stock option. The expected stock price volatility is derived from historical volatility and calculated based on the estimated term structure of the stock option grant. The expected dividend yield is calculated using the expected annualized dividend which remains constant during the expected term of the option.

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Compensation expense for equity instruments is accrued based on the estimated number of instruments for which the requisite service is expected to be rendered and expensed on a straight-line basis over the vesting term.

See Note 11 to the Company s Consolidated Financial Statements for further information regarding stock-based compensation.

NOTE 2 INVENTORIES

Inventories consisted of the following (in thousands):

	As of January 31,	
	2013	2012
Finished goods	$101,830	$97,975
Component parts	53,061	57,700
Work-in-process	9,463	8,005
	$164,354	$163,680

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at January 31, at cost, consisted of the following (in thousands):

	As of January 31,	
	2013	2012
Land and buildings	$1,676	$3,883
Furniture and equipment	56,153	60,802
Computer software	44,260	43,546
Leasehold improvements	24,365	20,912
Design fees and tooling costs	2,742	13,873
	129,196	143,016
Less: accumulated depreciation	84,695	106,726
	$44,501	$36,290

Depreciation and amortization expense for continuing operations related to property, plant and equipment for fiscal 2013, 2012 and 2011 was $10.0 million, $9.9 million and $12.2 million, respectively.

NOTE 4 DEBT AND LINES OF CREDIT

On July 17, 2009, the Company, together with Movado Group Delaware Holdings Corporation, Movado Retail Group, Inc. and Movado LLC (together with the Company, the Borrowers), each a wholly-owned domestic subsidiary of the Company, entered into an Amended and Restated Loan and Security Agreement (the Original Loan Agreement) with Bank of America, N.A. and Bank Leumi USA, as lenders (Lenders), and Bank of America, N.A., as agent (in such capacity, the Agent). The parties amended the Original Loan Agreement by entering into Amendment No. 1 thereto (First Amendment) on April 5, 2011 and Amendment No. 2 thereto (Second Amendment) on March 12, 2012 (the Original Loan Agreement, as so amended, the Loan Agreement). The Loan Agreement provides for a $25.0 million asset based senior secured revolving credit facility (the Facility), including a $15.0

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million letter of credit subfacility, and provides that Borrowers are entitled to request that Lenders increase the Facility up to $50 million subject to any additional terms and conditions the parties may agree upon. The maturity date of the Facility is March 12, 2015.

Availability under the Facility is determined by reference to a borrowing base which is based on the sum of a percentage of eligible accounts receivable and eligible inventory of the Borrowers. $10.0 million in availability is blocked unless the Borrowers have achieved for the most recently ended four fiscal quarter period a consolidated fixed charge coverage ratio of at least 1.25 to 1.0 with domestic EBITDA greater than $10.0 million. The Borrowers are not currently subject to the availability block. The availability block, if applicable, will be reduced by the amount by which the borrowing base exceeds $25.0 million, up to a maximum reduction of $5.0 million. Availability under the Facility may be further reduced by certain reserves established by the Agent in its good faith credit judgment. The Second Amendment reduced the Lenders total commitment under the Loan Agreement from $55.0 million to $25.0 million and consequently availability was correspondingly reduced. As of January 31, 2013, total availability under the Facility, giving effect to an availability block of $0, no outstanding borrowings and the letters of credit outstanding under the subfacility, was $20.4 million.

The initial applicable margin for LIBOR rate loans was 4.25% and for base rate loans was 3.25%. After July 17, 2010, the applicable margins decreased or increased by 0.25% per annum from the initial applicable margins depending on whether average availability for the most recently completed fiscal quarter was either greater than $12.5 million, or was $5.0 million or less, respectively. The First Amendment reduced the applicable margins for both LIBOR rate loans and base rate loans by 1.25% and the Second Amendment further reduced the applicable margins by 0.75%. Accordingly, as of January 31, 2013 and based on current availability, the applicable margins were 2.00% and 1.00% for LIBOR and base rate loans, respectively.

After the date (the Block Release Date) when availability under the Facility is no longer subject to any blocked amount, if borrowing availability is less than $12.5 million, the Borrowers will be subject to a minimum fixed charge coverage ratio until such time as borrowing availability has been greater than $12.5 million for at least 90 consecutive days.

After the Block Release Date, cash dominion will be imposed if borrowing availability is less than $10.0 million and will continue until such time as borrowing availability has been greater than $10.0 million for at least 45 consecutive days. As of January 31, 2013, the Borrowers were not subject to cash dominion, nor do the Borrowers expect to be subject to such a requirement in the foreseeable future.

The Loan Agreement contains additional affirmative and negative covenants binding on the Borrowers and their subsidiaries that are customary for asset based facilities, including, but not limited to, restrictions and limitations on the incurrence of debt for borrowed money and liens, dispositions of assets, capital expenditures, dividends and other payments in respect of equity interests, the making of loans and equity investments, prepayments of subordinated and certain other debt, mergers, consolidations, liquidations and dissolutions, and transactions with affiliates. The Loan Agreement permits Borrowers to pay distributions as dividends and make share repurchases up to an aggregate of $150.0 million (less the amount of any charitable donations made by the Company which are permitted up to an aggregate amount of $14 million) and make acquisitions up to an aggregate of $50.0 million, as long as, at the time of such transaction, either (A) Borrowers have cash assets of at least $60.0 million with no revolver loans outstanding, or (B) (i) the consolidated fixed charge coverage ratio is at least 1.25 to 1.00, (ii) availability is greater than $12.5 million and (iii) positive EBITDA plus repatriated cash dividends minus restricted payments are greater than $0. The Company, as of January 31, 2013, was in

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compliance with these financial covenants and, therefore, that it is permitted to pay dividends. The Company presently expects that it will be able to pay any dividends declared through the remaining term of the Facility.

The Loan Agreement contains events of default that are customary for facilities of this type, including, but not limited to, nonpayment of principal, interest, fees and other amounts when due, failure of any representation or warranty to be true in any material respect when made or deemed made, violation of covenants, cross default, material judgments, material ERISA liability, bankruptcy events, material loss of collateral in excess of insured amounts, asserted or actual revocation or invalidity of the loan documents, change of control and events or circumstances having a material adverse effect. The borrowings under the Facility are joint and several obligations of the Borrowers and also cross-guaranteed by each Borrower. In addition, the Borrowers obligations under the Facility are secured by first priority liens, subject to permitted liens, on substantially all of the Borrowers U.S. assets (other than certain excluded assets).

A Swiss subsidiary of the Company maintains unsecured lines of credit with an unspecified length of time with a Swiss bank. As of January 31, 2013 and 2012, these lines of credit totaled 10 million Swiss francs for both periods, with dollar equivalents of $11.0 million and $10.9 million, respectively. As of January 31, 2013 and 2012, there were no borrowings against these lines. As of January 31, 2013, two European banks and a bank in Dubai have guaranteed obligations to third parties on behalf of two of the Company s foreign subsidiaries in the amount of $2.3 million in various foreign currencies.

NOTE 5 DERIVATIVE FINANCIAL INSTRUMENTS

The Company accounts for its derivative financial instruments in accordance with guidance which requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. A significant portion of the Company s purchases are denominated in Swiss francs. The Company reduces its exposure to the Swiss franc exchange rate risk through a hedging program. Under the hedging program, the Company manages most of its foreign currency exposures on a consolidated basis, which allows it to net certain exposures and take advantage of natural offsets. In the event these exposures do not offset, the Company uses various derivative financial instruments to further reduce the net exposures to currency fluctuations, predominately forward and option contracts. When entered into, the Company designates and documents these derivative instruments as a cash flow hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transactions. Changes in the fair value of a derivative that is designated and documented as a cash flow hedge and is highly effective, are recorded in other comprehensive income until the underlying transaction affects earnings, and then are later reclassified into earnings in the same account as the hedged transaction. The Company formally assesses, both at the inception and at each financial quarter thereafter, the effectiveness of the derivative instrument hedging the underlying forecasted cash flow transaction. Any ineffectiveness related to the derivative financial instruments change in fair value will be recognized in the Statements of Operations in the period in which the ineffectiveness was calculated.

The Company uses forward exchange contracts to offset its exposure to certain foreign currency receivables and liabilities. These forward contracts are not designated as qualified hedges and, therefore, changes in the fair value of these derivatives are recognized into earnings, thereby offsetting the current earnings effect of the related foreign currency receivables and liabilities.

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All of the Company s derivative instruments have liquid markets to assess fair value. The Company does not enter into any derivative instruments for trading purposes.

As of January 31, 2013, the Company s entire net forward contracts hedging portfolio consisted of 36 million Swiss francs equivalent with various expiry dates ranging through July 22, 2013.

During the fourth quarter of fiscal 2011, the Company concluded it would significantly reduce its offering of gold watches and the Company decided to melt its non-core inventory of gold watches because the current salvage value of the gold was adequate and could be easily and quickly realized, while significant excessive time, effort and costs would be required to sell the gold watches. As a result, the Company entered into commodity futures contracts to offset its exposure to the fluctuating value of gold. These futures contracts were not designated as qualified hedges and, therefore, changes in the fair value of these derivatives are recognized into earnings, thereby offsetting the earnings effect of fluctuations in the sale price of gold. As of January 31, 2013, the Company held no commodity futures contracts related to gold.

The following table summarizes the fair value and presentation in the Consolidated Balance Sheets for derivatives as of January 31, 2013 and 2012 (in thousands):

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	2013 Fair Value	2012 Fair Value	Balance Sheet Location	2013 Fair Value	2012 Fair Value
Derivatives not designated as hedging instruments:						
Foreign Exchange Contracts	Other Current Assets	$876	$214	Accrued Liabilities	$2	$1,190
Total Derivative Instruments		$876	$214		$2	$1,190

As of January 31, 2013, the balance of deferred net gains/losses on derivative financial instruments documented as cash flow hedges included in accumulated other comprehensive income (AOCI) was $0. As of January 31, 2012, the balance of deferred net losses on derivative financial instruments documented as cash flow hedges included in accumulated other comprehensive income was $1.0 million in net losses, net of tax of $1.0 million, compared to $0.1 million in net losses, net of tax of $1.0 million as of January 31, 2011. The Company s sell through of inventory purchased in Swiss francs will primarily cause the amount in AOCI to affect cost of goods sold. The maximum length of time the Company hedges its exposure to the fluctuation in future cash flows for forecasted transactions is 24 months. For the year ended January 31, 2013 there were no reclassifications from AOCI to earnings. For the years ended January 31, 2012 and 2011 the Company reclassified from AOCI to earnings $0.9 million of net gains, net of tax of $0, and $1.5 million of net gains, net of tax of $0, respectively.

During fiscal 2013, 2012, and 2011, the Company recorded no charges related to its assessment of the effectiveness of its derivative hedge portfolio because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged. Changes in the contracts fair value due to spot-forward differences are excluded from the designated hedge relationship. The Company records these transactions in cost of sales of the Consolidated Statements of Operations.

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NOTE 6 - FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting guidance establishes a fair value hierarchy which prioritizes the inputs used in measuring fair value into three broad levels as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.
Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
Level 3 - Unobservable inputs based on the Company s assumptions.

The guidance required the use of observable market data if such data is available without undue cost and effort.

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of January 31, 2013 (in thousands):

	Fair Value at January 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Available-for-sale securities	$285	$-	$-	$285
SERP assets - employer	783	-	-	783
SERP assets - employee	17,637	-	-	17,637
Hedge derivatives	-	876	-	876
Total	$18,705	$876	$-	$19,581
Liabilities:				
SERP liabilities - employee	$17,637	$-	$-	$17,637
Hedge derivatives	-	2	-	2
Total	$17,637	$2	$-	$17,639

The fair values of the Company s available-for-sale securities are based on quoted prices. The hedge derivatives are entered into by the Company principally to reduce its exposure to the Swiss franc exchange rate risk. Fair values of the Company s hedge derivatives are calculated based on quoted foreign exchange rates, quoted interest rates and market volatility factors. The assets related to the Company s defined contribution supplemental executive retirement plan (SERP) consist of both employer (employee unvested) and employee assets which are invested in investment funds with fair values calculated based on quoted market prices. The SERP liability represents the Company s liability to the employees in the plan for their vested balances.

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NOTE 7 - INCOME TAXES

The provision for income taxes for continuing operations for the fiscal years ended January 31, 2013, 2012 and 2011 consists of the following components (in thousands):

	2013	2012	2011
Current:			
U.S. Federal	$2,365	$382	$374
U.S. State and Local	499	141	98
Non-U.S.	3,559	8,202	2,697
	6,423	8,725	3,169
Noncurrent:			
U.S. Federal	56	(1,396)	565
Non-U.S.	498	851	-
	554	(545)	565
Deferred:			
U.S. Federal	(18,197)	-	-
U.S. State and Local	(495)	-	-
Non-U.S.	2,903	(7,576)	5,058
	(15,789)	(7,576)	5,058
(Benefit) / provision for income taxes	($8,812)	$604	$8,792

Income/(loss) before taxes for continuing U.S. operations was $11.7 million, $2.8 million, and ($2.6 million) for periods ended January 31, 2013, 2012 and 2011, respectively. Income/(loss) before taxes for non-U.S. operations was $37.4 million, $30.4 million, and ($11.4 million) for periods ended January 31, 2013, 2012 and 2011, respectively.

Significant components of the Company s deferred income tax assets and liabilities as of January 31, 2013 and 2012 are as follows (in thousands):

	2013 Deferred Taxes		2012 Deferred Taxes	
	Assets	Liabilities	Assets	Liabilities
Net operating loss carryforwards	$16,119	$-	$20,866	$-
Inventory	6,155	-	5,245	-
Unprocessed returns	2,143	-	1,142	-
Receivables allowance	1,256	275	1,434	541
Deferred compensation	9,760	-	9,539	-
Foreign tax credits	4,204	-	7,234	-
Unrepatriated earnings	-	2,724	-	2,797

Capital loss carryforwards	1,464	-	-	-
Depreciation/amortization	5,592	3,053	6,631	3,245
Other provisions/accruals	2,567	-	2,344	-
Miscellaneous	611	-	580	5
	49,871	6,052	55,015	6,588
Valuation allowance	(11,491)	-	(32,856)	-
Total deferred tax assets and liabilities	$38,380	$6,052	$22,159	$6,588

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As of January 31, 2013, the Company had total foreign net operating loss carryforwards of approximately $57.8 million, which are available to offset taxable income in future years. $35.7 million of these carryforwards were incurred in Switzerland. At January 31, 2011, the Company had established a valuation allowance of $10.1 million on the related deferred tax assets of one of its Swiss subsidiaries, with a corresponding charge to income tax expense. In assessing the realizability of the net deferred tax asset, the Company had concluded at that time that more weight should be given to the recent operating losses and the continued uncertainty in the world-wide economy and retail industry than the expectation of projected future taxable income and its long history of generating taxable income.

In the fourth quarter of fiscal 2012, the company concluded, based upon all available evidence, that it was more likely than not its Swiss subsidiary would have sufficient future taxable income to realize its net deferred tax asset. As a result, the Company reversed the full $10.3 million valuation allowance as a credit to income tax expense on January 31, 2012. In reaching its conclusion relating to this significant judgment, the Company considered both negative and positive evidence. Negative evidence included a three year cumulative loss as of January 31, 2012, which was generated during the global economic downturn. Positive evidence included the strong fiscal 2012 earnings results of the Swiss subsidiary, projections of future taxable income for the subsidiary, overall Company results for fiscal 2012, as well as the continued positive trend experienced by the retail industry during calendar year 2011. While the Company believes the assumptions included in its projections of future taxable income for this subsidiary are reasonable, if the actual results vary from expected results due to unforeseen changes in the worldwide economy or retail industry, or other factors, the Company may need to make future adjustments to the valuation allowance for all, or a portion, of the net deferred tax asset. At January 31, 2013, the balance of the deferred tax asset valuation allowance relating to two other Swiss companies was $1.7 million, principally to reserve for operating loss carryforwards for which future projected taxable income is not sufficient to realize the benefit of the deferred tax asset.

The remaining foreign tax losses of $22.1 million are primarily related to the Company s operations in Japan, Germany, and the United Kingdom. A full valuation allowance has been established on the deferred tax assets resulting from all of these losses due to the Company s assessment that it is not more-likely-than-not the deferred tax assets will be utilized.

As of January 31, 2013, the Company had no U.S. federal net operating loss carryforwards. The recognition of windfall tax benefits from stock-based compensation deducted on the tax return is prohibited until realized through a reduction of income tax payable. Tax benefits totaling $1.7 million were recorded in additional paid-in-capital during fiscal 2013 due to the utilization of foreign tax credit carryforwards that resulted in the realization of windfall tax benefits. The Company also has an estimated apportioned $46.9 million in U.S. state net operating loss carryforwards. A partial valuation allowance has been established on the deferred tax assets due to the Company s assessment that it is more-likely-than-not that the majority of the losses will not be utilized within expiration periods ranging from 2 to 20 years.

At January 31, 2013, the Company s net U.S. deferred tax assets amounted to $23.3 million, against which a valuation allowance of $2.8 million has been established. The Company bases its estimate of deferred tax assets and liabilities on current tax laws and rates as well as expected future income. The realization of deferred tax assets depends on the Company s ability to generate future income. Under U.S. GAAP, deferred tax assets are to be reduced by a valuation allowance if based on the weight of available positive and negative evidence, it is more-likely-than-not that all or some portion of the deferred tax assets will not be realized. In the third quarter of fiscal 2010, the Company determined that it was appropriate to record a full valuation allowance against its net deferred tax assets in the United

States, primarily due to the Company s domestic loss position in recent years. At that time, expectation of future income was not sufficient to overcome such negative evidence, and although the Company believed it would ultimately utilize the underlying tax benefits within the statutory limits, in fiscal 2010, the Company recognized a non-cash deferred tax expense of $21.4 million. In the third quarter of fiscal 2013, the Company concluded, based upon all available evidence, that it was more likely than not that its domestic consolidated group would have sufficient future taxable income to realize its net deferred tax assets. As a result, the Company reversed the major portion of the valuation allowance, resulting in a non-cash deferred tax benefit of $19.4 million. In reaching its conclusion relating to this significant judgment, the Company considered both negative and positive evidence. Positive evidence included the three year cumulative profit position as of October 31, 2012 as well as domestic projections of future taxable income, positive Company results and the continued positive trend experienced by the retail industry during calendar 2012. The Company maintained a valuation allowance only against state tax loss carryforwards due to uncertainty in utilizing the losses prior to expiry. While the Company believes the assumptions included in its projections of future taxable income for the domestic consolidated group are reasonable, if the actual results vary from expected results due to unforeseen changes in the worldwide economy or retail industry, or other factors, the Company may need to make future adjustments to the valuation allowance for all, or a portion, of the net deferred tax assets. In the fourth quarter of fiscal 2013, the Company recognized a non-cash deferred tax asset of $0.4 million as a result of the partial release of the valuation allowance against the deferred tax assets for state tax losses. In addition, in the fourth quarter of fiscal 2013, the Company recorded a deferred tax benefit of approximately $1.4 million for domestic capital losses, with a full valuation allowance due to no expectation of future domestic capital gains sufficient to utilize the future tax benefit.

Management will continue to evaluate the appropriate level of allowance on all deferred tax assets considering such factors as prior earnings history, expected future earnings, carryback and carryforward periods, and tax and business strategies that could potentially enhance the likelihood of realization of the deferred tax assets.

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

	Fiscal Year Ended January 31,		
	2013	**2012**	**2011**
Provision/(benefit) for income taxes at the U.S. statutory rate	$17,169	$11,631	($12,412)
Lower effective foreign income tax rate	(6,006)	(4,952)	(439)
Change in valuation allowance	(19,526)	(13,922)	12,858
Tax provided on earnings of foreign subsidiaries	109	4,369	7,945
Change in liabilities for uncertain tax positions, net	554	(545)	565
State and local taxes, net of federal benefit	607	84	226
Foreign legal reorganizations	(1,902)	-	-
Foreign tax settlement	-	4,302	-
Other, net	183	(363)	49
Total provision/(benefit) for income taxes	($8,812)	$604	$8,792

At January 31, 2013, the Company recorded $1.9 million net tax benefit related to the reorganization of business operations in Japan and the UK. At January 31, 2012, the Company recorded $4.3 million in

accrued liabilities on the Company s Consolidated Balance Sheets for a Swiss withholding tax liability and a corresponding charge to income tax expense pursuant to management agreements reached during the fourth quarter of fiscal 2012 to settle with the Swiss federal tax authorities and to close several audits through fiscal 2010. Prior to the fourth quarter of fiscal 2012, due to facts and circumstances, management did not believe that settlement was probable.

The Company performs a quarterly assessment reviewing its global cash projections and investment needs. During fiscal 2013, as a result of this assessment, the Company took into consideration such factors as projected future results, continued need for investment in the overseas business as well as cash needs in the U.S., among other countries, the Company has identified all current year foreign subsidiary earnings as permanently reinvested. This assertion differs from assertions made in the two prior years. The decision to make this change was due to improvement in economic conditions and a decrease in cash requirements in the U.S. market, offset by increased requirements for cash to fund business expansion efforts in the Asian and European markets.

During fiscal 2012, as part of the same quarterly assessment process, the Company identified 75% of that year s net income of one of the Company s Hong Kong subsidiaries, as well as 75% of that year s net income of one of the Company s Swiss subsidiaries for repatriation. As a result, a provision of approximately $2.3 million was made for federal income tax, net of foreign tax credits, for the future remittance of approximately $10.3 million of that year s earnings. 25% of that year s earnings was identified as required by the local subsidiaries for normal working capital needs. During fiscal 2012, no cash was repatriated.

During fiscal 2011, the Company identified 100% of that year s net income of one of the Company s Hong Kong subsidiaries for repatriation. As a result, a provision of approximately $2.6 million was made for federal income tax, net of foreign tax credits, on the remittance of approximately $11.2 million of that year s earnings. In addition, as a result of the Company s decision to close the U.S. Boutique division of its domestic retail entity, there was a one-time substantial cash need in the U.S. in order to fund the closing down of the business (severance payments, lease buy-outs, legal and consulting fees). As a result, an additional net federal provision of approximately $5.2 million was made on the remittance of approximately $18.4 million earnings of one of the Company s Swiss subsidiaries. During fiscal 2011, approximately $36.4 million cash was repatriated, which included all cash identified for repatriation during fiscal 2011 as well as fiscal 2010.

No provision has been made for federal income or withholding taxes which may be payable on the remittance of undistributed retained earnings of foreign subsidiaries approximating $157.4 million at January 31, 2013, as those earnings are considered permanently reinvested. It is not practical to estimate the amount of tax that may be payable on the eventual distribution of these earnings.

The effective tax rate for continuing operations for fiscal 2013 was -18.0%, primarily as a result of the release of the majority of a valuation allowance against net deferred tax assets in the United States, and the net tax benefit related to foreign legal reorganizations in Japan and the UK. The effective tax rate for continuing operations for fiscal 2012 was 1.8%, primarily as a result of the release of a valuation allowance against net deferred tax assets in Switzerland, partially offset by the accrual of a Swiss withholding tax settlement and the continued recording of other valuation allowances, most notably the valuation allowance against net U.S. deferred tax assets, and the tax accrued on the repatriation of foreign earnings.

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The Internal Revenue Service (IRS) commenced examination in October 2009 of the Company s consolidated U.S. federal income tax return for fiscal 2009, as required by the Joint Committee on Taxation (JCT) as a result of the Company filing, in May 2009, a tax loss carryback claim exceeding $2.0 million. The scope of the audit was subsequently increased to also include the fiscal 2010 income tax return due to the filing of a similar carryback claim. The final audit report was received during the third quarter of fiscal 2012; no material adjustments were made. The IRS commenced examination in May 2012 of the Company s consolidated U.S. federal income tax return for fiscal 2011. The audit was closed in January 2013 and resulted in no changes.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits (exclusive of interest) for January 31, 2013, 2012 and 2011 are as follows (in thousands):

	2013	2012	2011
Beginning balance	$3,216	$4,835	$4,583
Additions for tax positions of prior years	475	901	428
Lapse of statute of limitations	(98)	(2,491)	(176)
Decreases for tax positions of prior years	-	-	-
Cash settlements	(51)	-	-
Tax rate changes	-	(30)	-
Foreign currency exchange fluctuations	60	1	-
Ending balance	$3,602	$3,216	$4,835

Included in the balances at January 31, 2013, January 31, 2012 and January 31, 2011 are $3.0 million, $2.5 million, and $3.1 million of unrecognized tax benefits which would impact the Company s effective tax rate, if recognized. Interest and penalties, if any, related to unrecognized tax benefits are recorded in income tax expense. As of January 31, 2013, January 31, 2012 and January 31, 2011, the Company had $1.5 million, $1.3 million and $1.3 million of accrued interest (net of tax benefit) related to unrecognized tax benefits. During fiscal years 2013, 2012 and 2011, the Company accrued $0.2 million, $0.3 million and $0.2 million of interest (net of tax benefit).

The Company conducts business globally and, as a result, files income tax returns in the U.S. federal jurisdiction and various states, local and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities in many countries, including such major jurisdictions as Switzerland, Hong Kong, Canada and the United States. The Company, with few exceptions, is no longer subject to income tax examinations by tax authorities in state, local and foreign taxing jurisdictions for years before the fiscal year ended January 31, 2009.

NOTE 8 - OTHER

On December 19, 2008, the Company entered into a Transition and Retirement Agreement (the Agreement) with the Company s former Chairman, Mr. Grinberg. The Agreement stipulated that upon his retirement on January 31, 2009, Mr. Grinberg, or Mrs. Grinberg if he predeceases her, would receive a payment of $0.6 million for the year ended January 31, 2010, and annual payments of $0.5 million for each year thereafter through the life of Mr. Grinberg and, if he predeceases Mrs. Grinberg, through the life of Mrs. Grinberg. On January 5, 2009, the Company announced the passing of Mr. Grinberg. As of July 31, 2010, a $4.3 million liability was recorded in the Company s Consolidated Balance Sheets related to the Agreement, of which $0.5 million was recorded in Accrued Liabilities, and $3.8 million was recorded in Other Non-Current Liabilities. In the third quarter of fiscal 2011, due to

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the passing of Mrs. Grinberg, the Company reversed the $4.3 million liability as a reduction of SG&A expenses.

NOTE 9 LEASES

The Company leases office, distribution, retail and manufacturing facilities, and office equipment under operating leases, which expire at various dates through January 2026. Certain leases include renewal options and the payment of real estate taxes and other occupancy costs. Some leases also contain rent escalation clauses (step rents) that require additional rent amounts in the later years of the term. Rent expense for leases with step rents is recognized on a straight-line basis over the minimum lease term. Likewise, capital funding and other lease concessions that are occasionally provided to the Company, are recorded as deferred rent and amortized on a straight-line basis over the minimum lease term as adjustments to rent expense. Rent expense from continuing operations for equipment and distribution, factory and office facilities under operating leases was approximately $13.5 million, $12.0 million and $11.9 million in fiscal 2013, 2012 and 2011, respectively.

Minimum annual rentals under noncancelable operating leases as of January 31, 2013, which do not include real estate taxes and operating costs, are as follows (in thousands):

Fiscal Year Ended January 31,	
2014	$10,406
2015	9,496
2016	9,378
2017	8,152
2018	7,594
Thereafter	5,186
	$50,212

NOTE 10 COMMITMENTS AND CONTINGENCIES

At January 31, 2013, the Company had outstanding letters of credit totaling $4.6 million with expiration dates through April 30, 2014 compared to $0.7 million with expiration dates through March 10, 2013 as of January 31, 2012. One bank in the domestic bank group has issued irrevocable standby letters of credit in connection with a trademark license agreement, retail and operating facility leases to various landlords, for the administration of the Movado boutique private-label credit card and for Canadian payroll to the Royal Bank of Canada.

As of January 31, 2013 and 2012, two European banks and a bank in Dubai have guaranteed obligations to third parties on behalf of two of the Company s foreign subsidiaries in the amount of $2.3 million and $1.8 million in various foreign currencies, respectively.

Pursuant to the Company s agreements with its licensors, the Company is required to pay minimum royalties and advertising. As of January 31, 2013, the total amount of the Company s minimum commitments related to its license agreements was $124.8 million.

The Company had outstanding purchase obligations of $76.2 million with suppliers at the end of fiscal 2013 primarily for raw materials, finished watches and packaging in the normal course of business.

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These purchase obligation amounts do not represent total anticipated purchases but represent only amounts to be paid for items required to be purchased under agreements that are enforceable, legally binding and specify minimum quantity, price and term.

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

NOTE 11 STOCK-BASED COMPENSATION

Effective concurrently with the consummation of the Company s public offering in the fourth quarter of fiscal 1994, the Board of Directors and the shareholders of the Company approved the adoption of the Movado Group, Inc. 1993 Employee Stock Option Plan (the Employee Stock Option Plan) for the benefit of certain officers, directors and key employees of the Company. The Employee Stock Option Plan was amended in fiscal 1997 and restated as the Movado Group, Inc. 1996 Stock Incentive Plan (the 1996 Plan). Under the 1996 Plan, as amended and restated as of April 8, 2004 (the Plan), the Compensation Committee of the Board of Directors, which consists of four of the Company s outside directors, has the authority to grant incentive stock options and nonqualified stock options, as well as stock appreciation rights and stock awards, to purchase up to 11,000,000 shares of common stock. Options granted to participants under the Plan generally become exercisable in equal installments over three or five years and remain exercisable until the tenth anniversary of the date of grant. The option price may not be less than the fair market value of the stock at the time the options are granted.

Under the accounting guidance for share based payments, the Company utilizes the Black-Scholes option-pricing model which requires certain assumptions to be made to calculate the fair value of each option at the grant date. The expected life of stock option grants is determined using historical data and represents the time period which the stock option is expected to be outstanding until it is exercised. The risk free interest rate is the yield on the grant date of U.S. Treasury constant maturities with a maturity date closest to the expected life of the stock option. The expected stock price volatility is derived from historical volatility and calculated based on the estimated term structure of the stock option grant. The expected dividend yield is calculated using the expected annualized dividend during the expected term of the option.

The weighted-average assumptions used with the Black-Scholes option-pricing model for the calculation of the fair value of stock option grants during fiscal 2013 were: expected term of 5.2 years; risk-free interest rate of 0.92%; expected volatility of 61.5% and dividend yield of 2.01%. The weighted-average grant date fair value of options granted during the fiscal year ended January 31, 2013 was $12.03.

There were no stock option grants during fiscal 2012. The weighted-average assumptions used with the Black-Scholes option-pricing model for the calculation of the fair value of stock option grants during fiscal 2011 were: expected term of 5.1 years; risk-free interest rate of 2.62%; expected volatility of 57.0% and there was no dividend yield. The weighted-average grant date fair value of options granted during the fiscal year ended January 31, 2011 was $6.89.

Total compensation expense for stock option grants recognized during the fiscal years ended January 31, 2013, 2012 and 2011 was approximately $0.4 million, net of tax of $0.3 million and $0.1 million, net of tax of $0 and $0.4 million, net of tax of $0, respectively. Expense related to stock option compensation is recognized on a straight-line basis over the vesting term. As of January 31, 2013, there was

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approximately $2.4 million of unrecognized compensation cost related to unvested stock options. These costs are expected to be recognized over a weighted-average period of 2.5 years. Total cash received for stock option exercises during the fiscal year ended January 31, 2013 amounted to approximately $1.6 million. The windfall tax benefit realized on these exercises was approximately $1.5 million.

Transactions for stock options under the Plan since fiscal 2010 are summarized as follows:

	Outstanding Options	Weighted-Average Exercise Price
January 31, 2010	1,914,215	$16.48
Options granted	10,000	$13.38
Options exercised	(717,512)	$13.55
Options cancelled	(78,440)	$16.47
January 31, 2011	1,128,263	$18.42
Options exercised	(143,961)	$12.11
Options cancelled	(289,320)	$18.43
January 31, 2012	694,982	$19.55
Options granted	258,600	$26.59
Options exercised	(392,093)	$16.88
January 31, 2013	561,489	$24.67

The total intrinsic value of stock options exercised for the fiscal years ended January 31, 2013, 2012 and 2011 was approximately $6.3 million, $0.8 million and $1.5 million, respectively. The total fair value of the stock options vested for the fiscal years ended January 31, 2013, 2012 and 2011 was approximately $0.1 million, $0.3 million and $0.6 million, respectively.

The following table summarizes outstanding and exercisable stock options as of January 31, 2013:

Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$12.03 - $15.02	32,500	2.4	$14.08	29,168	$14.16
$15.03 - $18.02	16,841	1.6	$17.00	16,841	$17.00
$18.03 - $21.02	64,050	3.2	$18.77	64,050	$18.77
$21.03 - $24.02	108,750	5.2	$22.27	108,750	$22.27
$24.03 - $27.02	266,348	9.1	$26.56	7,748	$25.53
$27.03 - $32.92	73,000	4.2	$32.92	73,000	$32.92
	561,489	6.4	$24.67	299,557	$20.30

The total intrinsic value of outstanding stock options as of January 31, 2013, 2012 and 2011 was approximately $6.7 million, $0.8 million and $0.5 million, respectively. The total intrinsic value of exercisable stock options as of January 31, 2013, 2012 and 2011 was approximately $4.0 million, $0.8 million and $0.5 million, respectively.

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

For fiscal years 2013, 2012 and 2011, compensation expense for restricted stock was approximately $1.4 million, net of tax of $0.8 million, $1.6 million, net of tax of $0 and $1.1 million, net of tax of $0, respectively. Current accounting guidance requires forfeitures to be estimated at the time of grant in order to estimate the amount of share-based awards that will ultimately vest and thus, current period compensation expense has been adjusted for estimated forfeitures based on historical data. As of January 31, 2013, there was approximately $2.5 million of unrecognized compensation cost related to unvested restricted stock. These costs are expected to be recognized over a weighted-average period of 1.7 years.

Transactions for restricted stock units under the Plan since fiscal 2010 are summarized as follows:

	Number of Restricted Stock Units	**Weighted-Average Grant Date Fair Value**
January 31, 2010	559,594	$18.79
Units granted	218,465	$12.81
Units vested	(54,045)	$18.79
Units forfeited	(478,776)	$18.91
January 31, 2011	245,238	$13.23
Units granted	135,612	$16.55
Units vested	(67,074)	$15.86
Units forfeited	(16,507)	$13.77
January 31, 2012	297,269	$14.12
Units granted	85,765	$26.59
Units vested	(30,445)	$15.37
Units forfeited	(9,208)	$15.12
January 31, 2013	343,381	$17.10

Restricted stock units are exercised simultaneously when they vest and are issued from the pool of authorized shares. The total intrinsic value of restricted stock units that vested during fiscal 2013, 2012, and 2011 was approximately $0.8 million, $1.0 million, and $0.7 million, respectively. The windfall tax benefits realized on the vested restricted stock grants for fiscal 2013 were $0.2 million. The weighted-average grant date fair values for restricted stock grants for fiscal 2013, 2012, and 2011 were $26.59, $16.55, and $12.81, respectively. Outstanding restricted stock units had a total intrinsic value of approximately $12.6 million, $5.5 million, and $3.5 million for fiscal 2013, 2012 and 2011, respectively.

In each of fiscal years 2007, 2008, and 2009, the Compensation Committee of the Board of Directors adopted an Executive Long Term Incentive Plan (the LTIP). The LTIP provided for the award of Performance Share Units that were equivalent, one for one, to shares of the Company s common stock and that vest based on the Company s achievement of its operating margin goal for a target fiscal year. The number of actual shares earned by a participant was based on the Company s actual performance at the end of the award period and could have ranged from 0% to 150% of the participant s target award.

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There were no performance shares issued under any LTIP and the last LTIP performance period ended January 31, 2011.

NOTE 12 OTHER EMPLOYEE BENEFIT PLANS

The Company maintains an Employee Savings Plan under Section 401(k) of the Internal Revenue Code. In addition, the Company maintains defined contribution employee benefit plans for its employees located in Switzerland. Company contributions and expenses of administering the plans amounted to $3.4 million, $3.3 million and $2.6 million in fiscal 2013, 2012 and 2011, respectively.

The Company maintains a defined contribution 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 2013, 2012 and 2011, the Company recorded an expense related to the SERP of $0.4 million, $0.4 million and $0.4 million, respectively.

NOTE 13 ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of accumulated other comprehensive income at January 31, consisted of the following (in thousands):

	As of January 31,	
	2013	**2012**
Net unrealized gain on investments, net of tax	$51	$69
Net unrealized (loss) on hedging contracts, net of tax	-	(989)
Cumulative foreign currency translation adjustment	102,220	98,842
Accumulated other comprehensive income attributed to Movado Group, Inc.	$102,271	$97,922

NOTE 14 SEGMENT INFORMATION

The Company follows accounting guidance related to disclosures about segments of an enterprise and related information. This guidance requires disclosure of segment data based on how management makes decisions about allocating resources to segments and measuring their performance.

With the exception of Total Assets and Long-Lived Assets, the Retail segment and United States segment information presented below no longer include amounts related to the Movado boutiques, which were closed during the second quarter of fiscal 2011 and subsequently reported as discontinued operations.

The Company conducts its business in two operating segments: Wholesale and Retail. The Company s Wholesale segment includes the designing, manufacturing and distribution of quality watches, in addition to revenue generated from after sales service activities and shipping. The retail segment includes the Company s outlet stores and the Movado brand flagship store.

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The Company divides its business into two major geographic locations: United States operations, and International, which includes the results of all other Company operations. The allocation of geographic revenue is based upon the location of the customer. The Company s international operations are principally conducted in Europe, the Americas (excluding U.S.), Asia and the Middle East which account for 17.1%, 12.0%, 9.4% and 7.3%, respectively, of the Company s total net sales for fiscal 2013. For fiscal 2012, the Company s international operations are principally conducted in Europe, the Americas (excluding U.S.), Asia and the Middle East which account for 20.9%, 10.0%, 9.9% and 6.9%, respectively, of the Company s total net sales. For fiscal 2011, the Company s international operations are principally conducted in Europe, Asia, the Americas and the Middle East which account for 20.8%, 10.1%, 8.7% and 6.5%, respectively, of the Company s total net sales. Substantially all of the Company s international assets are located in Switzerland.

Operating Segment Data as of and for the Fiscal Year Ended January 31, (in thousands):

	Net Sales (1) (2)			Operating Income (Loss) (1) (2) (3) (4) (5) (6)		
	2013	**2012**	**2011**	**2013**	**2012**	**2011**
Wholesale	$449,289	$412,825	$329,137	$38,045	$24,668	($20,798)
Retail	56,189	55,292	53,053	11,301	8,895	8,701
Consolidated total	$505,478	$468,117	$382,190	$49,346	$33,563	($12,097)

	Total Assets			Capital Expenditures*		
	2013	**2012**	**2011**	**2013**	**2012**	**2011**
Wholesale	$507,672	$489,347	$423,532	$15,053	$7,444	$5,743
Retail	18,690	18,215	20,673	2,630	726	1,560
Consolidated total	$526,362	$507,562	$444,205	$17,683	$8,170	$7,303

* Fiscal 2013 Wholesale and Retail capital expenditures include $1.3 million and $0.4 million, respectively, of accrued capital expenditures.

	Depreciation and Amortization		
	2013	**2012**	**2011**
Wholesale	$9,513	$10,148	$12,398
Retail	1,095	1,260	1,307
Consolidated total	$10,608	$11,408	$13,705

Geographic Location Data as of and for the Fiscal Year Ended January 31, (in thousands):

	Net Sales (1) (2) (7)			Operating Income (Loss) (1) (2) (3) (4) (5) (6)		
	2013	**2012**	**2011**	**2013**	**2012**	**2011**
United States	$263,551	$234,991	$200,043	$2,171	($6,069)	($1,810)
International	241,927	233,126	182,147	47,175	39,632	(10,287)
Consolidated total	$505,478	$468,117	$382,190	$49,346	$33,563	($12,097)

	Total Assets			Long-Lived Assets	
	2013	**2012**	**2011**	**2013**	**2012**
United States	$208,273	$214,882	$185,718	$26,682	$28,476
International	318,089	292,680	258,487	17,819	7,814
Consolidated total	$526,362	$507,562	$444,205	$44,501	$36,290

(1) Fiscal 2013 U.S. and International net sales includes a sales allowance of $3.1 million and $1.8 million, respectively, related to the repositioning of the Coach watch brand.

(2) Fiscal 2012 Wholesale and International net sales includes a $3.0 million sale of certain proprietary watch movements.

(3) Fiscal 2013 and 2012 Wholesale and United States operating Income (Loss) includes a $3.0 million donation to the Movado Group Foundation.

(4) Fiscal 2011 Wholesale Operating (Loss) includes a non-cash charge of $24.1 million related to certain non-core gold and mechanical movement inventory, of which $5.9 million was recorded in the United States and $18.2 million was recorded in the International location.

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(5) Fiscal 2011 Wholesale Operating (Loss) includes a non-cash charge of $3.1 million for write-downs of certain assets primarily related to intangible assets, tooling costs, and trade booths for the Basel Fair, of which $0.3 million was recorded in the United States and $2.8 million was recorded in the International location.

(6) Fiscal 2011 Wholesale and United States Operating (Loss) includes a reversal of a previously recorded liability of $4.3 million for a retirement agreement with the Company s former Chairman.

(7) The United States and International net sales are net of intercompany sales of $269.3 million, $223.3 million and $190.9 million for the years ended January 31, 2013, 2012 and 2011, respectively.

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NOTE 15 - QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents unaudited selected interim operating results of the Company for fiscal 2013 and 2012 (in thousands, except per share amounts):

	Quarter			
	1st	2nd	3rd	4th
Fiscal 2013				
Net sales	$103,655	$118,027	$160,202	$123,594
Gross profit	$59,025	$65,758	$90,419	$62,680
Net income attributed to Movado Group, Inc.	$6,633	$8,058	$34,473	$7,919
Basic income per share:				
Net income attributed to Movado Group, Inc.	$0.26	$0.32	$1.36	$0.31
Diluted income per share:				
Net income attributed to Movado Group, Inc.	$0.26	$0.32	$1.34	$0.31
Fiscal 2012				
Net sales	$89,854	$113,231	$142,622	$122,410
Gross profit	$48,623	$60,946	$81,034	$65,742
Net income attributed to Movado Group, Inc.	$491	$4,408	$16,404	$10,692
Basic income per share:				
Net income attributed to Movado Group, Inc.	$0.02	$0.18	$0.66	$0.43
Diluted income per share:				
Net income attributed to Movado Group, Inc.	$0.02	$0.18	$0.65	$0.42

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 16 - 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,		
	2013	2012	2011
Cash paid / (received) during the year for:			
Interest	$212	$353	$1,388
Income taxes paid / (received) (1)	$6,520	$5,190	($7,129)

(1) Fiscal 2013, 2012 and 2011 income taxes paid / (received), includes payments of $6.8 million, $5.6 million and $3.5 million taxes paid, respectively.

NOTE 17 OTHER INCOME

Other income for the year ended January 31, 2012 consisted of $0.7 million of pre-tax gain on the sale of a building which was completed in the second quarter. The Company received cash proceeds from the sale of $1.2 million. The building had been classified as an asset held for sale in other current assets.

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NOTE 18 DISCONTINUED OPERATIONS

The Company closed its Movado boutique division effective for the second quarter of fiscal 2011. As a result of that action, the Company is reporting the Movado boutiques financial activity as discontinued operations for all periods presented. There was no Movado boutique financial activity for fiscal year 2013 and 2012.

The following is a summary of the operating results of the Company s discontinued operations:

		Year Ended January 31, 2011	
(In thousands)	**Net Sales**	**Pretax Loss**	**Net Loss**
Movado Boutiques	$14,252	$23,675	$23,675

For the year ended January 31, 2011, the Company had no tax provision for its discontinued operations.

NOTE 19 NET INCOME / (LOSS) ATTRIBUTABLE TO MOVADO GROUP, INC. AND TRANSFERS TO NONCONTROLLING INTEREST

	For Fiscal Year Ended January 31, (in thousands)		
	2013	**2012**	**2011**
Net income / (loss) attributable to Movado Group, Inc.	$57,083	$31,995	($47,157)
Transfers to the noncontrolling interest			
Decrease in Movado Group, Inc. s paid in capital for purchase of 39% of MGS common shares	(3,362)	-	-
Net transfers to noncontrolling interest	(3,362)	-	-
Change from net income / (loss) attributable to Movado Group, Inc. and transfers to noncontrolling interest	$53,721	$31,995	($47,157)

In the U.K., the Company signed a joint venture agreement (the JV Agreement) on May 11, 2007, with Swico Limited (Swico), an English company with established distribution, marketing and sales operations in the U.K. Swico had been the Company s exclusive distributor of HUGO BOSS watches in the U.K. since 2005. Under the JV Agreement, the Company and Swico controlled 51% and 49%, respectively, of MGS Distribution Limited, an English company (MGS) responsible for the marketing, distribution and sale in the UK of the Company s licensed brands. On January 30, 2013, a mutual agreement was reached by the Company and Swico to terminate the JV Agreement. This resulted in the Company acquiring additional shares in MGS from Swico, thereby increasing its ownership interest in MGS to 90%. Henceforth the Company will manage MGS as a wholly owned subsidiary, with Swico continuing to provide logistical support and after-sale service for the brands distributed by MGS in the U.K. which, in addition to the Company s licensed brands, will now also include Movado and Ebel watches.

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NOTE 20 RECENT ACCOUNTING PRONOUNCEMENTS

In February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU No. 2013-02 requires presentation of reclassification adjustments from each component of accumulated other comprehensive income either in a single note or parenthetically on the face of the financial statements, for those amounts required to be reclassified into Net income in their entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety in the same reporting period, cross-reference to other disclosures is required. As permitted under ASU 2013-02, the Company has elected to present reclassification adjustments from each component of accumulated other comprehensive income within a single note to the financial statements beginning in the first quarter of fiscal 2014.

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-05, Presentation of Comprehensive Income. ASU No. 2011-05 eliminates the current option to disclose other comprehensive income and its components in the statement of changes in equity. As permitted under ASU No. 2011-05, the Company has elected to present items of Net income and Other comprehensive income in two separate consecutive statements beginning in the first quarter of fiscal 2013.

NOTE 21 SUBSEQUENT EVENT

On March 20, 2013, the Board approved a share repurchase program under which the Company may purchase up to $50 million of its outstanding common shares from time to time, depending on market conditions, share price and other factors. The authorization expires on January 31, 2016, and the Company may purchase shares of its common stock through open market purchases, block trades or otherwise. The shares will be purchased primarily to mitigate the dilutive impact of equity grants during the course of the next few years. Therefore, the Company does not expect the share repurchase program to have a significant impact on the weighted average of shares outstanding for fiscal 2014.

On March 20, 2013, the Board approved the payment of a cash dividend on April 16, 2013 in the amount of $0.05 per share of the Company s outstanding common stock and class A common stock held by shareholders of record as of the close of business on April 2, 2013. However, the decision of whether to declare any future cash dividend, including the amount of any such dividend and the establishment of record and payment dates, will be determined, in each quarter, by the Board of Directors, in its sole discretion.

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Schedule

Schedule II

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

MOVADO GROUP, INC.

VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Description	Balance at beginning of year	Net provision charged to operations	Currency revaluation	Net write-offs	Balance at end of year
Year ended January 31, 2013:					
Doubtful accounts	$7,741	$-	$46	($3,431)	$4,356
Returns	5,824	19,374	(15)	(19,136)	6,047
Other allowances (1)	2,664	8,722	28	(4,710)	6,704
Total	$16,229	$28,096	$59	($27,277)	$17,107
Year ended January 31, 2012:					
Doubtful accounts	$8,494	$847	$8	($1,608)	$7,741
Returns	5,552	16,825	8	(16,561)	5,824
Other allowances	1,974	3,961	(16)	(3,255)	2,664
Total	$16,020	$21,633	$-	($21,424)	$16,229
Year ended January 31, 2011:					
Doubtful accounts	$8,807	$1,710	$214	($2,237)	$8,494
Returns	8,576	17,197	140	(20,361)	5,552
Other allowances	2,857	2,479	16	(3,378)	1,974
Total	$20,240	$21,386	$370	($25,976)	$16,020

(1) In fiscal 2013, net provision and the ending balance for other allowances includes a sales allowance of $4.9 million related to the repositioning of the Coach watch brand.

Description	Balance at beginning of year	Net provision charged to operations	Currency revaluation	Adjustments	Balance at end of year
Year ended January 31, 2013:					
Deferred tax asset valuation (1)	$32,856	$-	($375)	($20,990)	$11,491

Year ended January 31, 2012:					
Deferred tax asset valuation (2)	$46,929	$-	$367	($14,440)	$32,856
Year ended January 31, 2011:					
Deferred tax asset valuation (3)	$33,843	$13,020	$262	($196)	$46,929

(1) The detail of adjustments is as follows:

Expired tax losses	($208)
Prior year adjustments and tax rate changes	(23)
OCI Adjustments	(942)
P&L Adjustments	(19,817)
	($20,990)

(2) The detail of adjustments is as follows:

Expired tax losses	($329)
Prior year adjustments and tax rate changes	(304)
OCI Adjustments	332
P&L Adjustments	(14,139)
	($14,440)

(3) The detail of adjustments is as follows:

Expired tax losses	($207)
Prior year adjustments and tax rate changes	(542)
OCI Adjustments	553
	($196)

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