WELLS FARGO & COMPANY/MN
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The information in this preliminary pricing supplement is not complete and may be changed. This preliminary pricing supplement and the accompanying market measure supplement, prospectus supplement and prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject To Completion, dated May 2, 2016

PRICING SUPPLEMENT No. 662 dated May , 2016

(To Market Measure Supplement dated March 18, 2015,

Prospectus Supplement dated March 18, 2015

and Prospectus dated March 18, 2015)

Wells Fargo & Company

Medium-Term Notes, Series K

Equity Index Linked Securities

Market Linked Securities Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the Russell 2000® Index due June 1, 2021

- Linked to the **lowest performing** of the S&P 500® Index and the Russell 2000® Index (each referred to as an Index)
- The securities are redeemable debt securities of Wells Fargo & Company that, unlike ordinary debt securities, do not provide for fixed payments of interest and do not repay a fixed amount of principal at stated maturity. Whether the securities pay a contingent coupon and whether you are repaid the original offering price of your securities at stated maturity (if Wells Fargo & Company does not exercise its redemption right) will depend in each case on the closing level of the lowest performing Index on the relevant calculation day. The lowest performing Index on any calculation day is the Index that has the least favorable performance as measured from its starting level to its closing level on that calculation day
- **Contingent Coupon**. The securities will pay a contingent coupon on a quarterly basis until the earlier of stated maturity or early redemption if, **and only if**, the closing level of the lowest performing Index on the calculation day for that quarter is greater than or equal to its threshold level. However, if the closing level of the lowest performing Index on a calculation day is less than its threshold level, you will not receive any contingent coupon for the relevant quarter. If the closing level of the lowest performing Index is less than its threshold level on every calculation day, you will not receive any contingent coupons throughout the entire 5-year term of the securities. The contingent coupon rate

will be determined on the pricing date and will be at least 5.00% per annum

- **Optional Redemption**. Wells Fargo & Company may, at its option, redeem the securities on any contingent coupon payment date beginning approximately six months after issuance. If Wells Fargo & Company elects to redeem the securities prior to maturity, you will receive the original offering price plus a final contingent coupon payment, if any
- **Potential Loss of Principal**. If Wells Fargo & Company does not redeem the securities prior to stated maturity, you will receive the original offering price at stated maturity if, **and only if**, the closing level of the lowest performing Index on the final calculation day is greater than or equal to its threshold level. If the closing level of the lowest performing Index on the final calculation day is less than its threshold level, you will lose more than 50%, and possibly all, of the original offering price of your securities
- The threshold level for each Index is equal to 50% of its starting level
- If the securities are not redeemed prior to stated maturity, you will have full downside exposure to the lowest performing Index from its starting level if its closing level on the final calculation day is less than its threshold level, but you will not participate in any appreciation of either Index and will not receive any dividends on securities included in either Index
- Your return on the securities will depend **solely** on the performance of the Index that is the lowest performing Index on each calculation day. You will not benefit in any way from the performance of the better performing Index. Therefore, you will be adversely affected if **either** Index performs poorly, even if the other Index performs favorably
- All payments on the securities are subject to the credit risk of Wells Fargo & Company, and you will have no ability to pursue any securities included in either Index for payment; if Wells Fargo & Company defaults on its obligations, you could lose some or all of your investment
- No exchange listing; designed to be held to maturity

On the date of this preliminary pricing supplement, the estimated value of the securities is approximately $928.78 per security. While the estimated value of the securities on the pricing date may differ from the estimated value set forth above, we do not expect it to differ significantly absent a material change in market conditions or other relevant factors. In no event will the estimated value of the securities on the pricing date be less than $908.78 per security. The estimated value of the securities was determined for us by Wells Fargo Securities, LLC using its proprietary pricing models. It is not an indication of actual profit to us or to Wells Fargo Securities, LLC or any of our other affiliates, nor is it an indication of the price, if any, at which Wells Fargo Securities, LLC or any other person may be willing to buy the securities from you at any time after issuance. See Investment Description in this pricing supplement.

The securities have complex features and investing in the securities involves risks not associated with an investment in conventional debt securities. See Risk Factors herein on page PRS-12.

The securities are unsecured obligations of Wells Fargo & Company and all payments on the securities are subject to the credit risk of Wells Fargo & Company. The securities are not deposits or other obligations of a depository institution and are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other governmental agency of the United States or any other jurisdiction.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this pricing supplement or the accompanying market measure supplement, prospectus supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Original Offering Price	Agent Discount[(1)]	Proceeds to Wells Fargo
Per Security	$1,000.00	$30.00	$970.00

Total

(1) Wells Fargo Securities, LLC, a wholly owned subsidiary of Wells Fargo & Company, is the agent for the distribution of the securities and is acting as principal. See Investment Description in this pricing supplement for further information.

Wells Fargo Securities

Market Linked Securities Callable with Contingent Coupon

and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the Russell 2000® Index due June 1, 2021

Investment Description

The Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the Russell 2000® Index due June 1, 2021 are senior unsecured debt securities of Wells Fargo & Company (Wells Fargo) that do not provide for fixed payments of interest, do not repay a fixed amount of principal at stated maturity and are subject to redemption by Wells Fargo beginning approximately six months after issuance. Whether the securities pay a quarterly contingent coupon and, if the securities are not previously redeemed by Wells Fargo, whether you are repaid the original offering price of your securities at stated maturity will depend in each case upon the closing level of the **lowest performing** of the S&P 500® Index and the Russell 2000® Index (each referred to as an Index) on the relevant calculation day. The lowest performing Index on any calculation day is the Index that has the least favorable performance as measured from its starting level to its closing level on that calculation day. The securities provide:

(i) quarterly contingent coupon payments at a rate of at least 5.00% per annum (to be determined on the pricing date) until the earlier of stated maturity or early redemption if, **and only if**, the closing level of the lowest performing Index on the applicable quarterly calculation day is greater than or equal to 50% of its starting level;

(ii) early redemption **solely** at the option of Wells Fargo beginning approximately six months after issuance for the original offering price plus a final contingent coupon payment, if any; and

(iii) if Wells Fargo does not redeem the securities prior to stated maturity:

(a) repayment of the original offering price if, **and only if**, the closing level of the lowest performing Index on the final calculation day has not declined by more than 50% from its starting level; and

(b) full exposure to the decline in the level of the lowest performing Index on the final calculation day from its starting level if the lowest performing Index has declined by more than 50% from its starting level.

If the closing level of the lowest performing Index on any quarterly calculation day is less than 50% of its starting level, you will not receive any contingent coupon payment for that quarter. If the securities are not redeemed prior to stated maturity and the closing level of the lowest performing Index on the final calculation day has declined by more than 50% from its starting level, you will lose more than 50%, and possibly all, of the original offering price of your securities at stated maturity. Accordingly, you will not receive any protection if the closing level of the lowest performing Index on the final calculation day has declined by more than 50% from its starting level.

Any return on the securities will be limited to the sum of your contingent coupon payments, if any. You will not participate in any appreciation of either Index, but you will be fully exposed to the decline in the lowest performing Index on the final calculation day if the securities are not redeemed prior to stated maturity and the closing level of the lowest performing Index on the final calculation day has declined by more than 50% from its starting level.

All payments on the securities are subject to the credit risk of Wells Fargo.

Your return on the securities will depend solely on the performance of the Index that is the lowest performing Index on each calculation day. You will not benefit in any way from the performance of the better performing Index. Therefore, you will be adversely affected if either Index performs poorly, even if the other Index performs favorably.

The securities are riskier than alternative investments linked to only one of the Indices or linked to a basket composed of both Indices. Unlike those alternative investments, the securities will be subject to the full risks of both Indices, with no offsetting benefit from the better performing Index. The securities are designed for investors who understand and are willing to bear this additional risk in exchange for the potential contingent coupon payments that the securities offer. Because the securities may be adversely affected by poor performance by either Index, you should not invest in the securities unless you understand and are willing to accept the full downside risks of both Indices.

Market Linked Securities Callable with Contingent Coupon

and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the Russell 2000® Index due June 1, 2021

Investment Description (Continued)

The S&P 500® Index is an equity index that is intended to provide an indication of the pattern of common stock price movement in the large capitalization segment of the United States equity market. The Russell 2000® Index is an equity index that is designed to reflect the performance of the small capitalization segment of the United States equity market.

You should read this pricing supplement together with the market measure supplement dated March 18, 2015, the prospectus supplement dated March 18, 2015 and the prospectus dated March 18, 2015 for additional information about the securities. Information included in this pricing supplement supersedes information in the market measure supplement, prospectus supplement and prospectus to the extent it is different from that information. Certain defined terms used but not defined herein have the meanings set forth in the prospectus supplement.

You may access the market measure supplement, prospectus supplement and prospectus on the SEC website www.sec.gov as follows (or if such address has changed, by reviewing our filing for the relevant date on the SEC website):

Market Measure Supplement dated March 18, 2015 filed with the SEC on March 18, 2015:
http://www.sec.gov/Archives/edgar/data/72971/000119312515096591/d890724d424b2.htm

Prospectus Supplement dated March 18, 2015 and Prospectus dated March 18, 2015 filed with the SEC on March 18, 2015:
http://www.sec.gov/Archives/edgar/data/72971/000119312515096449/d890684d424b2.htm

The S&P 500 Index is a product of S&P Dow Jones Indices LLC (SPDJI), and has been licensed for use by Wells Fargo & Company (WFC). Standard & Poor s®, S&P® and S&P 500® are registered trademarks of Standard & Poor s Financial Services LLC (S&P); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC (Dow Jones); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by WFC. The securities are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the S&P 500 Index.

Russell 2000® is a trademark of Frank Russell Company, doing business as Russell Investment Group ("Russell"), and has been licensed for use by us. The securities, based on the performance of the Russell 2000® Index, are not sponsored, endorsed, sold or promoted by Russell and Russell makes no representation regarding the advisability of investing in the securities.

Market Linked Securities Callable with Contingent Coupon

and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the Russell 2000® Index due June 1, 2021

Investment Description (Continued)

The original offering price of each security of $1,000 includes certain costs that are borne by you. Because of these costs, the estimated value of the securities on the pricing date will be less than the original offering price. The costs included in the original offering price relate to selling, structuring, hedging and issuing the securities, as well as to our funding considerations for debt of this type.

The costs related to selling, structuring, hedging and issuing the securities include (i) the agent discount, (ii) the projected profit that our hedge counterparty (which may be one of our affiliates) expects to realize for assuming risks inherent in hedging our obligations under the securities and (iii) hedging and other costs relating to the offering of the securities.

Our funding considerations take into account the higher issuance, operational and ongoing management costs of market-linked debt such as the securities as compared to our conventional debt of the same maturity, as well as our liquidity needs and preferences. Our funding considerations are reflected in the fact that we determine the economic terms of the securities based on an assumed funding rate that is generally lower than the interest rates implied by secondary market prices for our debt obligations and/or by other traded instruments referencing our debt obligations, which we refer to as our secondary market rates. As discussed below, our secondary market rates are used in determining the estimated value of the securities.

If the costs relating to selling, structuring, hedging and issuing the securities were lower, or if the assumed funding rate we use to determine the economic terms of the securities were higher, the economic terms of the securities would be more favorable to you and the estimated value would be higher. The estimated value of the securities as of the pricing date will be set forth in the final pricing supplement.

Determining the estimated value

Our affiliate, Wells Fargo Securities, LLC (WFS), calculated the estimated value of the securities set forth on the cover page of this pricing supplement based on its proprietary pricing models. Based on these pricing models and related market inputs and assumptions referred to in this section below, WFS determined an estimated value for the securities by estimating the value of the combination of hypothetical financial instruments that would replicate the payout on the securities, which combination consists of a non-interest bearing, fixed-income bond (the debt component) and one or more derivative instruments underlying the economic terms of the securities (the derivative component).

The estimated value of the debt component is based on a reference interest rate, determined by WFS as of a recent date, that generally tracks our secondary market rates. Because WFS does not continuously calculate our reference interest rate, the reference interest rate used in the calculation of the estimated value of the debt component may be higher or lower than our secondary market rates at the time of that calculation. As noted above, we determine the economic terms of the securities based upon an assumed funding rate that is generally lower than our secondary market rates. In contrast, in determining the estimated value of the securities, we value the debt component using a reference interest rate that generally tracks our secondary market rates. Because the reference interest rate is generally higher than the assumed funding rate, using the reference interest rate to value the debt component generally results in a lower estimated value for the debt component, which we believe more closely approximates a market valuation of the debt component than if we had used the assumed funding rate.

WFS calculated the estimated value of the derivative component based on a proprietary derivative-pricing model, which generated a theoretical price for the derivative instruments that constitute the derivative component based on various inputs, including the derivative component factors identified in Risk Factors The Value Of The Securities Prior To Stated Maturity Will Be Affected By Numerous Factors, Some Of Which Are Related In Complex Ways. These inputs may be market-observable or may be based on assumptions made by WFS in its discretion.

The estimated value of the securities determined by WFS is subject to important limitations. See Risk Factors The Estimated Value Of The Securities Is Determined By Our Affiliate s Pricing Models, Which May Differ From Those Of Other Dealers and Our Economic Interests And Those Of Any Dealer Participating In The Offering Are Potentially Adverse To Your Interests.

Market Linked Securities Callable with Contingent Coupon

and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the Russell 2000® Index due June 1, 2021

Investment Description (Continued)

Valuation of the securities after issuance

The estimated value of the securities is not an indication of the price, if any, at which WFS or any other person may be willing to buy the securities from you in the secondary market. The price, if any, at which WFS or any of its affiliates may purchase the securities in the secondary market will be based upon WFS s proprietary pricing models and will fluctuate over the term of the securities due to changes in market conditions and other relevant factors. However, absent changes in these market conditions and other relevant factors, except as otherwise described in the following paragraph, any secondary market price will be lower than the estimated value on the pricing date because the secondary market price will be reduced by a bid-offer spread, which may vary depending on the aggregate face amount of the securities to be purchased in the secondary market transaction, and the expected cost of unwinding any related hedging transactions. Accordingly, unless market conditions and other relevant factors change significantly in your favor, any secondary market price for the securities is likely to be less than the original offering price.

If WFS or any of its affiliates makes a secondary market in the securities at any time up to the issue date or during the 5-month period following the issue date, the secondary market price offered by WFS or any of its affiliates will be increased by an amount reflecting a portion of the costs associated with selling, structuring, hedging and issuing the securities that are included in the original offering price. Because this portion of the costs is not fully deducted upon issuance, any secondary market price offered by WFS or any of its affiliates during this period will be higher than it would be if it were based solely on WFS s proprietary pricing models less the bid-offer spread and hedging unwind costs described above. The amount of this increase in the secondary market price will decline steadily to zero over this 5-month period. If you hold the securities through an account at WFS or any of its affiliates, we expect that this increase will also be reflected in the value indicated for the securities on your brokerage account statement.

If WFS or any of its affiliates makes a secondary market in the securities, WFS expects to provide those secondary market prices to any unaffiliated broker-dealers through which the securities are held and to commercial pricing vendors. If you hold your securities through an account at a broker-dealer other than WFS or any of its affiliates, that broker-dealer may obtain market prices for the securities from WFS (directly or indirectly), but could also obtain such market prices from other sources, and may be willing to purchase the securities at any given time at a price that differs from the price at which WFS or any of its affiliates is willing to purchase the securities. As a result, if you hold your securities through an account at a broker-dealer other than WFS or any of its affiliates, the value of the securities on your brokerage account statement may be different than if you held your securities at WFS or any of its affiliates.

The securities will not be listed or displayed on any securities exchange or any automated quotation system. Although WFS and/or its affiliates may buy the securities from investors, they are not obligated to do so and are not required to make a market for the securities. There can be no assurance that a secondary market will develop.

Market Linked Securities Callable with Contingent Coupon

and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the Russell 2000® Index due June 1, 2021

Investor Considerations

We have designed the securities for investors who:

- seek an investment with contingent quarterly coupon payments at a rate of at least 5.00% per annum (to be determined on the pricing date) until the earlier of stated maturity or early redemption, if, **and only if**, the closing level of the lowest performing Index on the applicable quarterly calculation day is greater than or equal to 50% of its starting level;

- understand that if we do not exercise our redemption right and the closing level of the lowest performing Index on the final calculation day has declined by more than 50% from its starting level, they will be fully exposed to the decline in the lowest performing Index from its starting level and will lose more than 50%, and possibly all, of the original offering price at stated maturity;

- are willing to accept the risk that they may not receive any contingent coupon payment on one or more, or any, quarterly contingent coupon payment dates over the term of the securities and may lose all of the original offering price per security at maturity;

- understand that we may redeem the securities prior to stated maturity at our option beginning approximately six months after issuance and that it is more likely that we will redeem the securities when it would otherwise be advantageous for you to continue to hold the securities;

- understand that the return on the securities will depend solely on the performance of the Index that is the lowest performing Index on each calculation day and that they will not benefit in any way from the performance of the better performing Index;

- understand that the securities are riskier than alternative investments linked to only one of the Indices or linked to a basket composed of both Indices;

- understand and are willing to accept the full downside risks of both Indices;

- are willing to forgo participation in any appreciation of either Index and dividends on securities included in either Index; and

- are willing to hold the securities to maturity.

The securities are not designed for, and may not be a suitable investment for, investors who:

- seek a liquid investment or are unable or unwilling to hold the securities to maturity;
- require full payment of the original offering price of the securities at stated maturity;
- seek a security with a fixed term;
- are unwilling to purchase securities with an estimated value as of the pricing date that is lower than the original offering price and that may be as low as the lower estimated value set forth on the cover page;
- are unwilling to accept the risk that the closing level of the lowest performing Index on the final calculation day may decline by more than 50% from its starting level;
- seek certainty of current income over the term of the securities;
- seek exposure to the upside performance of either or both Indices;
- seek exposure to a basket composed of both Indices or a similar investment in which the overall return is based on a blend of the performances of the Indices, rather than solely on the lowest performing Index;
- are unwilling to accept the risk of exposure to both the large and small capitalization segments of the United States equity market;
- are unwilling to accept the credit risk of Wells Fargo; or
- prefer the lower risk of conventional fixed income investments with comparable maturities issued by companies with comparable credit ratings.

Market Linked Securities Callable with Contingent Coupon

and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the Russell 2000® Index due June 1, 2021

Terms of the Securities

Market Measures:	The S&P 500® Index and the Russell 2000® Index
Pricing Date:	May 25, 2016.*
Issue Date:	May 31, 2016.* (T+3)
Original Offering Price:	$1,000 per security. References in this pricing supplement to a security are to a security with an original offering price of $1,000.
Contingent Coupon Payment:	On each contingent coupon payment date, you will receive a contingent coupon payment at a per annum rate equal to the contingent coupon rate if, **and only if**, the closing level of the lowest performing Index on the related calculation day is greater than or equal to its threshold level. **If the closing level of the lowest performing Index on any calculation day is less than its threshold level, you will not receive any contingent coupon payment on the related contingent coupon payment date. If the closing level of the lowest performing Index is less than its threshold level on all quarterly calculation days, you will not receive any contingent coupon payments over the term of the securities.** Each quarterly contingent coupon payment, if any, will be calculated per security as follows: $1,000 x contingent coupon rate x (90/360). Any contingent coupon payments will be rounded to the nearest cent, with one-half cent rounded upward.
Contingent Coupon Payment Dates:	Quarterly, on the fourth business day following each calculation day (as each such calculation day may be postponed pursuant to Postponement of a Calculation Day below, if applicable), provided that the contingent coupon payment date with respect to the final calculation day will be the stated maturity date.
Contingent Coupon Rate:	The contingent coupon rate will be determined on the pricing date and will be at least 5.00% per annum.
Optional	

Redemption:	Wells Fargo may, at its option, redeem the securities, in whole but not in part, on any optional redemption date. If Wells Fargo elects to redeem the securities prior to stated maturity, you will be entitled to receive on the applicable optional redemption date a cash payment per security in U.S. dollars equal to the original offering price per security plus a final contingent coupon payment, if any. If Wells Fargo elects to redeem the securities on an optional redemption date, Wells Fargo will give you notice on or before the calculation day immediately preceding that optional redemption date. Any redemption of the securities will be at Wells Fargo s option and will not automatically occur based on the performance of either Index. If the securities are redeemed, they will cease to be outstanding on the applicable optional redemption date and you will have no further rights under the securities after that date.
Calculation Days:	Quarterly, on the 25th day of each February, May, August and November, commencing August 2016 and ending February 2021, and the final calculation day*, each subject to postponement as described below under Postponement of a Calculation Day. We refer to May 25, 2021* as the final calculation day.
Optional Redemption Dates:	Quarterly, beginning approximately six months after the issue date, on the contingent coupon payment dates following each calculation day scheduled to occur from November 2016 to February 2021, inclusive.
Stated Maturity Date:	June 1, 2021*. If the final calculation day is postponed, the stated maturity date will be the later of (i) June 1, 2021* and (ii) three business days after the final calculation day as postponed. See Postponement of a Calculation Day below. If the stated maturity date is not a business day, the payment to be made on the stated maturity date will be made on the next succeeding business day with the same force and effect as if it had been made on the stated maturity date. The securities are not subject to repayment at the option of any holder of the securities prior to the stated maturity date.

Market Linked Securities Callable with Contingent Coupon

and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the Russell 2000® Index due June 1, 2021

Terms of the Securities (Continued)

Payment at Stated Maturity:	If Wells Fargo does not redeem the securities prior to the stated maturity date, you will be entitled to receive on the stated maturity date a cash payment per security in U.S. dollars equal to the redemption amount (in addition to the final contingent coupon payment, if any). The redemption amount per security will equal: if the ending level of the lowest performing Index on the final calculation day is greater than or equal to its threshold level: $1,000; or if the ending level of the lowest performing Index on the final calculation day is less than its threshold level: $1,000 × performance factor of the lowest performing Index on the final calculation day **If Wells Fargo does not redeem the securities prior to stated maturity and the ending level of the lowest performing Index on the final calculation day is less than its threshold level, you will lose more than 50%, and possibly all, of the original offering price of your securities at stated maturity.** **Any return on the securities will be limited to the sum of your contingent coupon payments, if any. You will not participate in any appreciation of either Index, but you will have full downside exposure to the lowest performing Index on the final calculation day if the ending level of that Index is less than its threshold level.** All calculations with respect to the redemption amount will be rounded to the nearest one hundred-thousandth, with five one-millionths rounded upward (e.g., 0.000005 would be

	rounded to 0.00001); and the redemption amount will be rounded to the nearest cent, with one-half cent rounded upward.
Lowest Performing Index:	On any calculation day, the lowest performing Index will be the Index with the lowest performance factor on that calculation day.
Performance Factor:	With respect to an Index on any calculation day, its closing level on such calculation day *divided by* its starting level (expressed as a percentage).
Closing Level:	With respect to each Index, the closing level of that Index on any trading day means the official closing level of that Index reported by the relevant index sponsor on such trading day, as obtained by the calculation agent on such trading day from the licensed third-party market data vendor contracted by the calculation agent at such time; in particular, taking into account the decimal precision and/or rounding convention employed by such licensed third-party market data vendor on such date. Currently, the calculation agent obtains market data from Thomson Reuters Ltd., but the calculation agent may change its market data vendor at any time without notice. The foregoing provisions of this definition of closing level are subject to the provisions set forth below under Additional Terms of the Securities Market Disruption Events, Adjustments to the Indices and Discontinuance of the Indices.
Starting Level:	With respect to the S&P 500 Index: , its closing level on the pricing date. With respect to the Russell 2000 Index: , its closing level on the pricing date.
Ending Level:	The ending level of an Index will be its closing level on the final calculation day.
Threshold Level:	With respect to the S&P 500 Index: , which is equal to 50% of its starting level. With respect to the Russell 2000 Index: , which is equal to 50% of its starting level.
Postponement of a Calculation Day:	If any calculation day is not a trading day with respect to either Index, such calculation day for each Index will be postponed to the next succeeding day that is a trading day with respect to each Index. A calculation day is also subject to postponement due to the occurrence of a market disruption event with respect to either Index. See Additional Terms of the Securities Market Disruption Events.

*To the extent that we make any change to the expected pricing date or expected issue date, the calculation days and stated maturity date may also be changed in our discretion to ensure that the term of the securities remains the same.

Market Linked Securities Callable with Contingent Coupon

and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the Russell 2000® Index due June 1, 2021

Terms of the Securities (Continued)

Calculation Agent:	Wells Fargo Securities, LLC
No Listing:	The securities will not be listed on any securities exchange or automated quotation system.
Material Tax Consequences:	For a discussion of the material U.S. federal income and certain estate tax consequences of the ownership and disposition of the securities, see United States Federal Tax Considerations.
Agent:	Wells Fargo Securities, LLC, a wholly owned subsidiary of Wells Fargo & Company. The agent may resell the securities to other securities dealers at the original offering price of the securities less a concession not in excess of $30.00 per security. The agent or another affiliate of ours expects to realize hedging profits projected by its proprietary pricing models to the extent it assumes the risks inherent in hedging our obligations under the securities. If any dealer participating in the distribution of the securities or any of its affiliates conducts hedging activities for us in connection with the securities, that dealer or its affiliate will expect to realize a profit projected by its proprietary pricing models from such hedging activities. Any such projected profit will be in addition to any discount or concession received in connection with the sale of the securities to you.
Denominations:	$1,000 and any integral multiple of $1,000.
CUSIP:	94986RM32

Market Linked Securities Callable with Contingent Coupon

and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the Russell 2000® Index due June 1, 2021

Determining Payment On A Contingent Coupon Payment Date and at Maturity

On each quarterly contingent coupon payment date, you will either receive a contingent coupon payment or you will not receive a contingent coupon payment, depending on the closing level of the lowest performing Index on the related quarterly calculation day.

Step 1: Determine which Index is the lowest performing Index on the relevant calculation day. The lowest performing Index on any calculation day is the Index with the lowest performance factor on that calculation day. The performance factor of an Index on a calculation day is its closing level on that calculation day as a percentage of its starting level (i.e., its closing level on that calculation day *divided by* its starting level).

Step 2: Determine whether a contingent coupon is paid on the applicable contingent coupon payment date based on the closing level of the lowest performing Index on the relevant calculation day, as follows:

On the stated maturity date, if we have not redeemed the securities prior to the stated maturity date, you will receive (in addition to the final contingent coupon payment, if any) a cash payment per security (the redemption amount) calculated as follows:

Step 1: Determine which Index is the lowest performing Index on the final calculation day. The lowest performing Index on the final calculation day is the Index with the lowest performance factor on the final calculation day. The performance factor of an Index on the final calculation day is its ending level as a percentage of its starting level (i.e., its ending level *divided by* its starting level).

Step 2: Calculate the redemption amount based on the ending level of the lowest performing Index, as follows:

Market Linked Securities Callable with Contingent Coupon

and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the Russell 2000® Index due June 1, 2021

Hypothetical Payout Profile

The following profile illustrates the potential payment at stated maturity on the securities (excluding the final contingent coupon payment, if any) for a range of hypothetical performances of the lowest performing Index on the final calculation day from its starting level to its ending level, assuming the securities have not been redeemed prior to the stated maturity date. This graph has been prepared for purposes of illustration only. Your actual return will depend on the actual ending level of the lowest performing Index on the final calculation day and whether you hold your securities to stated maturity. The performance of the better performing Index is not relevant to your return on the securities.

Market Linked Securities Callable with Contingent Coupon

and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the Russell 2000® Index due June 1, 2021

Risk Factors

The securities have complex features and investing in the securities will involve risks not associated with an investment in conventional debt securities. You should carefully consider the risk factors set forth below as well as the other information contained in this pricing supplement and the accompanying market measure supplement, prospectus supplement and prospectus, including the documents they incorporate by reference. As described in more detail below, the value of the securities may vary considerably before the stated maturity date due to events that are difficult to predict and are beyond our control. You should reach an investment decision only after you have carefully considered with your advisors the suitability of an investment in the securities in light of your particular circumstances.

If We Do Not Redeem The Securities Prior to Stated Maturity, You May Lose Some Or All Of The Original Offering Price Of Your Securities At Stated Maturity.

We will not repay you a fixed amount on your securities at stated maturity. If we do not exercise our right to redeem the securities prior to stated maturity, you will receive a payment at stated maturity that will be equal to or less than the original offering price per security, depending on the ending level of the lowest performing Index on the final calculation day.

If the ending level of the lowest performing Index on the final calculation day is less than its threshold level, the payment you receive at stated maturity will be reduced by an amount equal to the decline in the level of the lowest performing Index from its starting level (expressed as a percentage of its starting level). The threshold level for each Index is 50% of its starting level. For example, if we do not redeem the securities prior to stated maturity and the lowest performing Index on the final calculation day has declined by 50.1% from its starting level to its ending level, you will not receive any benefit of the contingent downside protection feature and you will lose 50.1% of the original offering price per security. As a result, you will not receive any protection if the level of the lowest performing Index on the final calculation day declines significantly and you may lose some, and possibly all, of the original offering price per security at stated maturity, even if the level of the lowest performing Index is greater than or equal to its starting level or its threshold level at certain times during the term of the securities.

Even if the ending level of the lowest performing Index on the final calculation day is greater than its threshold level, the amount you receive at stated maturity will not exceed the original offering price, and your yield on the securities, taking into account any contingent coupon payments you may have received during the term of the securities, may be less than the yield you would earn if you bought a traditional interest-bearing debt security of Wells Fargo or another issuer with a similar credit rating.

The Securities Do Not Provide For Fixed Payments Of Interest And You May Receive No Coupon Payments On One Or More Quarterly Contingent Coupon Payment Dates, Or Even Throughout The Entire Five-Year Term Of The Securities.

On each quarterly contingent coupon payment date you will receive a contingent coupon payment if, **and only if**, the closing level of the lowest performing Index on the related calculation day is greater than or equal to its threshold level. If the closing level of the lowest performing Index on any calculation day is less than its threshold level, you will not receive any contingent coupon payment on the related contingent coupon payment date, and if the closing level of the lowest performing Index is less than its threshold level on each calculation day over the term of the securities, you will not receive any contingent coupon payments over the entire five-year term of the securities.

The Securities Are Subject To The Full Risks Of Both Indices And Will Be Negatively Affected If Either Index Performs Poorly, Even If The Other Index Performs Favorably.

You are subject to the full risks of both Indices. If either Index performs poorly, you will be negatively affected, even if the other Index performs favorably. The securities are not linked to a basket composed of the Indices, where the better performance of one Index could offset the poor performance of the other Index. Instead, you are subject to the full risks of whichever Index is the lowest performing Index on each calculation day. As a result, the securities are riskier than an alternative investment linked to only one of the Indices or linked to a basket composed of both Indices. You should not invest in the securities unless you understand and are willing to accept the full downside risks of both Indices.

Your Return On The Securities Will Depend Solely On The Performance Of The Index That Is The Lowest Performing Index On Each Calculation Day, And You Will Not Benefit In Any Way From The Performance Of The Better Performing Index.

Your return on the securities will depend solely on the performance of the Index that is the lowest performing Index on each calculation day. Although it is necessary for both Indices to close above their respective threshold levels on the relevant calculation day in order for you to receive a quarterly contingent coupon payment and to be repaid the original offering price of your securities at maturity, you will not benefit in any way from the performance of the better performing Index. The securities may underperform an

Risk Factors (Continued)

alternative investment linked to a basket composed of the Indices, since in such case the performance of the better performing Index would be blended with the performance of the lowest performing Index, resulting in a better return than the return of the lowest performing Index alone.

You Will Be Subject To Risks Resulting From The Relationship Between The Indices.

It is preferable from your perspective for the Indices to be correlated with each other so that their levels will tend to increase or decrease at similar times and by similar magnitudes. By investing in the securities, you assume the risk that the Indices will not exhibit this relationship. The less correlated the Indices, the more likely it is that either one of the Indices will be performing poorly at any time over the term of the securities. All that is necessary for the securities to perform poorly is for one of the Indices to perform poorly; the performance of the better performing Index is not relevant to your return on the securities. It is impossible to predict what the relationship between the Indices will be over the term of the securities. Although the Indices both represent the United States equity markets, it is important to understand that they represent different segments of the United States equity markets the large capitalization segment in one case and the small capitalization segment in the other which may not perform similarly over the term of the securities.

You May Be Fully Exposed To The Decline In The Lowest Performing Index On The Final Calculation Day From Its Starting Level, But Will Not Participate In Any Positive Performance Of Either Index.

Even though you will be fully exposed to a decline in the level of the lowest performing Index on the final calculation day if its ending level is below its threshold level, you will not participate in any increase in the level of either Index over the term of the securities. Your maximum possible return on the securities will be limited to the sum of the contingent coupon payments you receive, if any. Consequently, your return on the securities may be significantly less than the return you could achieve on an alternative investment that provides for participation in an increase in the level of either or both of the Indices.

Higher Contingent Coupon Rates Are Associated With Greater Risk.

The securities offer contingent coupon payments at a higher rate, if paid, than the fixed rate we would pay on conventional debt securities of the same maturity. These higher potential contingent coupon payments are associated with greater levels of expected risk as of the pricing date as compared to conventional debt securities, including the risk that you may not receive a contingent coupon payment on one or more, or any, contingent coupon payment dates and the risk that you may lose a substantial portion, and possibly all, of the original offering price per security at maturity. The volatility of the Indices and the correlation between the Indices are important factors affecting this risk. Volatility is a measurement of the size and frequency of daily fluctuations in the level of an Index, typically observed over a specified period of time. Volatility can be measured in a variety of ways, including on a historical basis or on an expected basis as implied by option prices in the market. Correlation is a measurement of the extent to which the levels of the Indices tend to fluctuate at the same time, in the same direction and in similar magnitudes. Greater expected volatility of the Indices or lower expected correlation between the Indices as of the pricing date may result in a higher contingent coupon rate, but it also represents a greater expected likelihood as of the pricing date that the closing level of at least one Index will be less than its threshold level on one or more calculation days, such that you will not receive one or more, or any, contingent coupon payments during the term of the securities, and that the closing level of at least one Index will be less than its threshold level on the final calculation day such that you will lose a substantial portion, and possibly all, of the original offering price per security at maturity. In general, the higher the contingent coupon rate is relative to the fixed rate we would pay on conventional debt securities, the greater the expected risk that you will not receive one or more, or any, contingent coupon payments during the term of the securities and that you will lose a substantial portion, and possibly all, of the original offering price per security at maturity.

Our Redemption Right May Limit Your Potential To Receive Contingent Coupon Payments.

We may, at our option, redeem the securities on any contingent coupon payment date beginning approximately six months after issuance. Although exercise of the redemption right will be within our sole discretion, we will be more likely to redeem the securities at a time when the lowest performing Index is performing favorably from your perspective in other words, at a time when, if the securities were to remain outstanding, it is more likely that you would have continued to receive contingent coupon payments and been repaid the original offering price at maturity. Therefore, our redemption right is likely to limit your potential to receive contingent coupon payments if the lowest performing Index is performing favorably from your perspective. On the other hand, we will be less likely to redeem the securities at a time when the lowest performing Index is performing unfavorably from your perspective in other words, you are more likely to continue to hold the securities at a time when it is less likely that you will continue to receive contingent coupon payments and it is less likely that you will be repaid the original offering price at maturity.

If we exercise our redemption right, the term of the securities may be reduced to as short as approximately six months. There is no guarantee that you would be able to reinvest the proceeds from an investment in the securities at a comparable return for a similar level of risk in the event we redeem the securities prior to maturity.

Market Linked Securities Callable with Contingent Coupon

and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the S&P 500® Index and the Russell 2000® Index due June 1, 2021

Risk Factors (Continued)

The Securities Are Subject To The Credit Risk Of Wells Fargo.

The securities are our obligations and are not, either directly or indirectly, an obligation of any third party. Any amounts payable under the securities are subject to our creditworthiness, and you will have no ability to pursue any securities included in either Index for payment. As a result, our actual and perceived creditworthiness may affect the value of the securities and, in the event we were to default on our obligations, you may not receive any amounts owed to you under the terms of the securities.

The Estimated Value Of The Securities On The Pricing Date, Based On WFS s Proprietary Pricing Models, Will Be Less Than The Original Offering Price.

The original offering price of the securities includes certain costs that are borne by you. Because of these costs, the estimated value of the securities on the pricing date will be less than the original offering price. The costs included in the original offering price relate to selling, structuring, hedging and issuing the securities, as well as to our funding considerations for debt of this type. The costs related to selling, structuring, hedging and issuing the securities include (i) the agent discount, (ii) the projected profit that our hedge counterparty (which may be one of our affiliates) expects to realize for assuming risks inherent in hedging our obligations under the securities and (iii) hedging and other costs relating to the offering of the securities. Our funding considerations are reflected in the fact that we determine the economic terms of the securities based on an assumed funding rate that is generally lower than our secondary market rates. If the costs relating to selling, structuring, hedging and issuing the securities were lower, or if the assumed funding rate we use to determine the economic terms of the securities were higher, the economic terms of the securities would be more favorable to you and the estimated value would be higher.

The Estimated Value Of The Securities Is Determined By Our Affiliate s Pricing Models, Which May Differ From Those Of Other Dealers.

The estimated value of the securities was determined for us by WFS using its proprietary pricing models and related market inputs and assumptions referred to above under Investment Description Determining the estimated value. Certain inputs to these models may be determined by WFS in its discretion. WFS s views on these inputs may differ from other dealers views, and WFS s estimated value of the securities may be higher, and perhaps materially higher, than the estimated value of the securities that would be determined by other dealers in the market. WFS s models and its inputs and related assumptions may prove to be wrong and therefore not an accurate reflection of the value of the securities.

The Estimated Value Of The Securities Is Not An Indication Of The Price, If Any, At Which WFS Or Any Other Person May Be Willing To Buy The Securities From You In The Secondary Market.

The price, if any, at which WFS or any of its affiliates may purchase the securities in the secondary market will be based on WFS s proprietary pricing models and will fluctuate over the term of the securities as a result of changes in the market and other factors described in the next risk factor. Any such secondary market price for the securities will also be reduced by a bid-offer spread, which may vary depending on the aggregate face amount of the securities to be purchased in the secondary market transaction, and the expected cost of unwinding any related hedging transactions. Unless the factors described in the next risk factor change significantly in your favor, any such secondary market price for the securities is likely to be less than the original offering price.

If WFS or any of its affiliates makes a secondary market in the securities at any time up to the issue date or during the 5-month period following the issue date, the secondary market price offered by WFS or any of its affiliates will be increased by an amount reflecting a portion of the costs associated with selling, structuring, hedging and issuing the securities that are included in the original offering price. Because this portion of the costs is not fully deducted upon issuance, any secondary market price offered by WFS or any of its affiliates during this period will be higher than it would be if it were based solely on WFS s proprietary pricing models less the bid-offer spread and hedging unwind costs described above. The amount of this increase in the secondary market price will decline steadily to zero over this 5-month period. If you hold the securities through an account at WFS or any of its affiliates, we expect that this increase will also be reflected in the value indicated for the securities on your brokerage account st146;s financial condition and results of operations may be materially adversely affected.

In fiscal 2010, U.S. and global credit and equity markets experienced significant disruption, making it difficult for many businesses to obtain financing on acceptable terms. Over the past year, these markets have experienced a recovery, although the markets have been volatile and sensitive to changes in world events and the economic environment. If these conditions turn again and worsen, 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 48% 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.

The occurrence or consequences of any of these risks could affect the Company s ability to operate in the affected regions. This could have an adverse effect on the Company s financial results.

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, manufacturing, distribution and sales operations. As of January 31, 2011, the Company s leased facilities were as follows:

Location	Function	Square Footage	Lease Expiration
Moonachie, New Jersey	Watch assembly, distribution and repair	100,000	July 2019
Paramus, New Jersey	Executive offices	90,050	June 2018
Bienne, Switzerland	Corporate functions, watch sales, distribution, assembly and repair	53,560	January 2013
Kowloon, Hong Kong	Watch sales, distribution and repair	13,960	March 2013
Villers le Lac, France	European service and watch distribution	12,800	January 2016
Markham, Canada	Office, distribution and repair	11,200	August 2012
New York, New York	Public relations office, licensed brand showroom	9,900	August 2016
Shanghai, China	Watch sales and distribution	9,210	January 2014
Hackensack, New Jersey	Warehouse	6,600	July 2011
ChangAn Dongguan, China	Quality control and engineering	6,460	December 2012
Munich, Germany	Watch sales	4,290	January 2012
Coral Gables, Florida	Caribbean office, watch sales	2,880	January 2012
Grenchen, Switzerland	Watch sales	2,800	February 2012
Tokyo, Japan	Watch sales	2,600	March 2012
Munich, Germany	Watch repair	2,200	December 2011
Singapore	Watch sales, distribution and repair	970	June 2012
Crown House, United Kingdom	Watch sales	900	July 2011
Dubai, United Arab Emirates	Watch sales	730	July 2011

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 two properties totaling approximately 33,000 square feet located in La Chaux-de-Fonds, Switzerland used for manufacturing, storage and public relations. 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 also leases 1,550 square feet of retail space for the operation of the Movado brand flagship store, located at Rockefeller Center in New York City, under a lease expiring in April 2012. In addition, the Company leases retail space averaging 1,800 square feet per store with leases expiring from January 2012 to June 2021 for the operation of the Company s 33 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. (Reserved)

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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 31, 2011, there were 53 holders of record of class A common stock and, the Company estimates, 4,400 beneficial owners of the common stock represented by 568 holders of record. The common stock is traded on the New York Stock Exchange under the symbol MOV and on March 31, 2011, the closing price of the common stock was $14.68. The quarterly high and low closing prices for the fiscal years ended January 31, 2011 and 2010 were as follows:

	Fiscal Year Ended January 31, 2011		Fiscal Year Ended January 31, 2010	
Quarter Ended	**Low**	**High**	**Low**	**High**
April 30	$ 10.30	$ 14.11	$ 4.70	$ 9.22
July 31	$ 9.89	$ 13.66	$ 7.20	$ 14.61
October 31	$ 10.10	$ 11.83	$ 10.48	$ 15.02
January 31	$ 10.94	$ 16.76	$ 9.22	$ 11.81

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 April 5, 2011, the Company amended its Amended and Restated Loan and Security Agreement, dated July 17, 2009, with Bank of America, N.A. and Bank Leumi USA to modify certain covenants related to the payment of dividends and to reflect more favorable current market rate conditions. As a result of Movado Group s strong financial position, the Company s Board of Directors decided to reinstate a quarterly cash dividend subject, in each quarter, to the Board s review of the Company s financial performance and other factors as determined by the Board. In addition, effective April 7, 2011 the Board of Directors approved the payment on April 29, 2011 of a cash dividend in the amount of $0.03 for each 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 18, 2011. The Company anticipates a total annualized dividend of $0.12 per share of common stock and class A common stock, or approximately $3 million based on the current number of outstanding shares. In April 2009, considering the economic environment at that time, the Board discontinued the payment of cash dividends in order to retain additional capital. The Company paid a cash dividend of $0.05 per share, or approximately $1.2 million, for the year ended January 31, 2010 (which was declared before the Board s April 2009 decision to discontinue further cash dividends) and $0.24 per share, or approximately $5.9 million, for the year ended January 31, 2009.

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On April 15, 2008, the Board of Directors authorized the repurchase of one million shares of the Company s common stock. Under this authorization, the Company has the option to repurchase shares over time, with the amount and timing of repurchases depending on market conditions and corporate needs. The Company entered into a Rule 10b5-1 plan to facilitate repurchases of its shares under this authorization. A Rule 10b5-1 plan permits a company to repurchase shares at times when it might otherwise be prevented from doing so, provided the plan is adopted when the company is not aware of material non-public information. The Company may suspend or discontinue the repurchase of stock at any time. Under this share repurchase program, the Company 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, 2011, the Company did not repurchase shares of common stock except for 572,328 shares as a result of the surrender of shares in connection with the vesting of certain stock awards and the exercise of certain 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.

The following table summarizes information about the Company s purchases of shares of its common stock in the fourth quarter of fiscal 2011.

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
December 1, 2010 December 31, 2010	559,809	$ 16.23	-	62,640
January 1, 2011 January 31, 2011	7,570	$ 15.36	-	62,640
Total	567,379	$ 16.22	-	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, 2011 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, 2006 and the reinvestment of dividends (where applicable).

Company Name / Index	1/31/06	1/31/07	1/31/08	1/31/09	1/31/10	1/31/11
Movado Group, Inc.	100.0	153.48	130.98	42.33	60.25	79.43
S&P SmallCap 600 Index	100.0	108.41	100.73	63.73	88.56	115.96
NYSE (U.S. Companies)	100.0	114.93	126.25	71.53	103.19	122.01
Russell 2000 Index	100.0	110.44	99.63	62.92	86.72	113.92

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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 ending 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,				
	2011	**2010**	**2009**	**2008**	**2007**
Statement of income data:					
Net sales (1)	$ 382,190	$ 349,705	$ 425,895	$ 515,460	$ 490,291
Cost of sales (2) (3)	196,951	184,043	162,934	212,285	200,955
Gross profit (1) (2)	185,239	165,662	262,961	303,175	289,336
Selling, general and administrative (4) (5) (6) (7)	195,099	187,177	242,391	245,246	233,061
Operating (loss) / income (1) (2) (3) (4) (5) (6) (7)	(9,860)	(21,515)	20,570	57,929	56,275
Other income, net (8) (9)	-	-	681	-	1,347
Interest expense	(2,247)	(4,535)	(2,915)	(3,472)	(3,785)
Interest income	319	111	2,132	4,666	3,280
(Loss) / income from continuing operations before income taxes	(11,788)	(25,939)	20,468	59,123	57,117
Provision for / (Benefit from) income taxes (10) (11) (12) (13) (14)	8,792	13,553	7,086	(6,949)	4,374
(Loss) / income from continuing operations	(20,580)	(39,492)	13,382	66,072	52,743
Discontinued operations:					
(Loss) from discontinued operations, net of tax	(23,675)	(14,909)	(10,830)	(4,630)	(2,472)
Net (loss) / income	(44,255)	(54,401)	2,552	61,442	50,271
Less: Income attributed to noncontrolling interests	665	224	237	637	133
Net (loss) / income attributed to Movado Group, Inc.	$ (44,920)	$ (54,625)	$ 2,315	$ 60,805	$ 50,138
(Loss) / income attributable to Movado Group, Inc.:					
(Loss) / income from continuing operations, net of tax	$ (21,245)	$ (39,716)	$ 13,145	$ 65,435	$ 52,610
(Loss) from discontinued operations, net of tax	(23,675)	(14,909)	(10,830)	(4,630)	(2,472)
Net (loss) / income	$ (44,920)	$ (54,625)	$ 2,315	$ 60,805	$ 50,138
Basic (loss) / income per share:					
Weighted basic average shares outstanding	24,753	24,541	24,782	26,049	25,670
(Loss) / income per share from continuing operations attributed to Movado Group, Inc.	$ (0.86)	$ (1.62)	$ 0.53	$ 2.51	$ 2.05
(Loss) per share from discontinued operations	$ (0.96)	$ (0.61)	$ (0.44)	$ (0.18)	$ (0.10)
Net (loss) / income per share attributable to Movado Group, Inc.	$ (1.81)	$ (2.23)	$ 0.09	$ 2.33	$ 1.95

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Diluted (loss) / income per share:					
Weighted diluted average shares outstanding	24,753	24,541	25,554	27,293	26,794
(Loss) / income per share from continuing operations attributed to Movado Group, Inc.	$ (0.86)	$ (1.62)	$ 0.51	$ 2.40	$ 1.96
(Loss) per share from discontinued operations	$ (0.96)	$ (0.61)	$ (0.44)	$ (0.18)	$ (0.10)
Net (loss) / income per share attributable to Movado Group, Inc.	$ (1.81)	$ (2.23)	$ 0.09	$ 2.23	$ 1.87
Cash dividends declared and paid per share	$ -	$ -	$ 0.29	$ 0.32	$ 0.24
Balance sheet data (end of period):					
Working capital (15)	$ 310,348	$ 321,928	$ 306,168	$ 419,632	$ 383,422
Total assets	$ 442,108	$ 469,377	$ 563,990	$ 646,216	$ 577,618
Total long-term debt (15)	$ -	$ 10,000	$ -	$ 60,895	$ 80,196
Movado Group, Inc. shareholders equity	$ 352,450	$ 369,568	$ 399,259	$ 463,053	$ 378,359

(1) Fiscal 2008 net sales includes a non-cash charge for estimated returns in the amount of $15.0 million and gross profit and operating income include a non-cash charge of $11.0 million, related to the closing of certain wholesale customer doors in the U.S.

(2) Fiscal 2011 includes a non-cash charge of $24.1 million for certain non-core gold and mechanical movement inventory.

(3) Fiscal 2010 includes a non-cash charge of $8.8 million for certain excess non-core inventory.

(4) Fiscal 2011 and 2010 includes 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.

(5) Fiscal 2011 includes a reversal of a previously recorded liability of $4.3 million for a retirement agreement with the Company s former Chairman.

(6) 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.

(7) Fiscal 2007 includes a one-time benefit of $2.2 million for an out-of-period adjustment related to foreign currency.

(8) 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.

(9) Fiscal 2007 other income consists of a pre-tax gain of $0.8 million on the sale of artwork, a pre-tax gain of $0.4 million on the sale of a building and a pre-tax gain of $0.1 million on the sale of rights to a web domain name.

(10) Fiscal 2011 effective tax rate of -74.6% 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.

(11) Fiscal 2010 effective tax rate of -52.3% includes a charge for the establishment of a full valuation allowance on domestic net deferred tax assets of $21.4 million, partially offset by a benefit of $7.9 million 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.

(12) Fiscal 2009 effective tax rate of 34.6% includes tax accrued on the future repatriation of foreign earnings of $7.4 million somewhat offset by a release of valuation allowances on foreign tax losses of $3.0 million.

(13) Fiscal 2008 effective tax rate of -11.8%, reflects a result of the recognition of previously unrecognized tax benefits due to the settlement of the IRS audit for fiscal years 2004 through 2006 ($12.5 million) and the release of valuation allowances in whole or part on Swiss and UK tax losses ($7.6 million).

(14) Fiscal 2007 effective tax rate of 7.7% reflects a partial release of the valuation allowance on Swiss tax losses.

(15) 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 the non-compliance with the interest coverage ratio covenant under certain of its current debt agreements.

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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 segments 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 brands. The licensed brands category represents brands distributed under license agreements and includes Coach, HUGO BOSS, Juicy Couture, Lacoste and Tommy Hilfiger.

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. Economic conditions around the world began to deteriorate in fiscal 2009. While the economy has started to recover, future global economic conditions remain highly uncertain. The level of consumer spending has improved over the past year, although the level of spending has not recovered fully compared to fiscal 2009 and may not recover for a significant period of time. As the Company continues to manage its way through these uncertain times, it is taking, and will continue to take, appropriate actions to address challenges in the marketplace and more strongly position the Company for the future.

Approximately 48% of the Company s total sales are from international markets and therefore reported sales made in those markets are affected by foreign exchange rates. The Company s international sales are 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 58.6%, 58.8%, and 47.9% of the Company s net sales for the fiscal years ended January 31, 2011, 2010, and 2009, respectively. In fiscal 2009, the Company did not experience the usual seasonality of its business due to the downturn in the economy, which resulted in the percentage of net sales for the second half of the fiscal year not being comparable to that of the later years.

The Company s retail operations consist of 33 outlet stores located throughout the United States and the Movado brand flagship store located at Rockefeller Center in New York City. The Company does not have any retail operations outside of the United States.

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 currency 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 are lower than those of the wholesale business since the outlets primarily sell seconds and discontinued models that generally command lower selling prices.

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, 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. 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.

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. In fiscal 2010, the Company recorded a non-cash charge of $8.8 million primarily for excess non-core component inventory. 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 minimizing the exchange rate impact on product costs and gross margins for fiscal years 2011 and 2009. In fiscal 2010, the Company decided not to hedge a significant portion of the Company s Swiss francs purchases which, as a result of the unfavorable Swiss franc foreign exchange rate, had a negative effect on the recorded gross margins. Additionally, a portion of the Company s net sales is 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-based customers. This exposure is not hedged by the Company. Any fluctuation in the Euro exchange rate in relation to the Hong Kong dollar and Swiss franc would have an effect on these sales that are recorded in Euro. The currency effect on these Euro sales has an equal effect on their recorded gross profit since the costs of these sales are recorded in the entities respective local currency.

Selling, General and Administrative (SG&A) Expenses. The Company s SG&A expenses consist primarily of marketing, selling, distribution, general and administrative expenses. During the second half of fiscal 2009, the Company announced initiatives designed to streamline operations, reduce expenses, and improve efficiencies and effectiveness across the Company s global organization. In fiscal 2009, the Company recorded a total pre-tax charge of $11.1 million related to the completion of these programs and a restructuring of certain benefit arrangements. In fiscal 2010, the Company recorded a non-cash pre-tax charge of $2.5 million related to the write-down of certain assets related to trade booths for the Basel Fair. 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.

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 2011, the Company increased its investment in marketing and advertisement 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, 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, 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. In fiscal 2011, the Company 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.

Interest Expense. The Company records 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.

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, impairments and

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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, 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.

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, while the actual bad debt losses have historically been within the Company s expectations and the allowances established, there can be no guarantee that the Company will continue to experience the same bad debt loss rates in the future. As of January 31, 2011, 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 values its inventory at the lower of cost or market. The Company s U.S. inventory is valued using the first-in, first-out (FIFO) method. The cost of finished goods and component inventories, held by international subsidiaries, are determined using average cost. The Company performs 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 year ended January 31, 2011, there were certain events and circumstances that occurred which 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

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brand line use proprietary watch movements that are 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, during the fourth quarter of the fiscal year ended January 31, 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. The Company plans to dispose of and melt the gold inventory and expects to recover approximately $11.0 million in cash, which was factored into the net charge recorded.

During the fiscal year ended January 31, 2010, the Company conducted a review and identified excess non-core component inventory. The Company made the decision that it was not economically prudent to invest additional cash and effort to convert these components into finished goods, and subsequently recorded a charge of $8.8 million in cost of sales. During the fiscal year ended January 31, 2009, the Company went through a process of scrapping unsaleable inventory and components which were written down in previous fiscal years.

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.

During the fourth quarter of fiscal 2010, the Company determined that the carrying value of its long-lived assets primarily with respect to certain Movado boutiques and trade booths for the Basel Fair was not recoverable. The review was performed because of the ongoing difficult economic conditions that had a negative effect on the Company s fourth quarter ended January 31, 2010, the retail segment s largest quarter of the year in terms of sales and profitability. As a result, the Company recorded a non-cash pre-tax charge of $7.6 million related to the write-downs of property, plant and equipment. Of these charges, $5.1 million is included in discontinued operations and $2.5 million is included in the selling, general and administrative expenses in the Consolidated Statements of Operations. During 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

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million related to the write-downs of property, plant and equipment. These charges are included in discontinued operations in the Consolidated Statements of Operations. During 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. These charges are 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

On February 1, 2006, the Company adopted the accounting guidance for share-based payment, electing to use the modified prospective application transition method, and accordingly, prior period financial statements have not been restated. Under this method, the fair value of all stock options granted after adoption and the unvested portion of previously granted awards must be recognized in the Consolidated Statements of Income. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of each option at the grant date which requires that certain assumptions be made. The expected life of stock option grants is determined using historical data and represents the time period which the stock option is expected to be outstanding until it is exercised. The risk free interest rate is the yield on the grant date of U.S. Treasury constant maturities with a maturity date closest to the expected life of the stock option. The expected stock price volatility is derived from historical volatility and calculated based on the estimated term structure of the stock option grant. The expected dividend yield is calculated using the expected annualized dividend which remains constant during the expected term of the option.

This accounting guidance requires that compensation expense for equity instruments be accrued based on the estimated number of instruments for which the requisite service is expected to be rendered. Additionally, for performance based awards, compensation expense should be accrued only if it is probable that the performance condition will be achieved. The Company reviews the estimates of forfeitures and the probability of performance conditions being achieved at each reporting period. Any changes to compensation expense as a result of a change in these estimates are reflected in the period of change. During fiscal years 2010 and 2009, as a result of the deteriorating global economy, it became apparent that the performance goals for certain Long Term Incentive Plan grants would not be achieved. This resulted in the reversal of previously accrued stock-based compensation expenses of approximately $0.7 million and $3.2 million, respectively. During fiscal 2011, there were no performance shares issued under the Long Term Incentive Plan.

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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.

The Company adopted guidance for accounting for uncertainty in income taxes, on February 1, 2007. 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. The Company previously recognized income tax positions based on management s estimate of whether it was reasonably possible that a liability had been incurred for unrecognized tax benefits by applying the guidance for accounting for contingencies.

RESULTS OF OPERATIONS

The following is a discussion of the results of operations for fiscal 2011 compared to fiscal 2010 and fiscal 2010 compared to fiscal 2009 along with a discussion of the changes in financial condition during fiscal 2011.

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

	Fiscal Year Ended January 31,		
	2011	**2010**	**2009**
Wholesale:			
United States	$ 146,990	$ 139,485	$ 165,829
International	182,147	155,455	205,520
Retail	53,053	54,765	54,546
Net sales	$ 382,190	$ 349,705	$ 425,895

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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,		
	2011 % of net sales	2010 % of net sales	2009 % of net sales
Net sales	100.0%	100.0%	100.0%
Gross margin	48.5%	47.4%	61.7%
Selling, general and administrative expenses	51.1%	53.5%	56.9%
Operating (loss) / income	(2.6)%	(6.1)%	4.8%
Other income	0.0%	0.0%	0.2%
Interest expense	0.6%	1.3%	0.7%
Interest income	0.1%	0.1%	0.5%
Provision for income taxes	2.3%	3.9%	1.7%
Noncontrolling interests	0.2%	0.1%	0.1%
(Loss) / income from continuing operations, net of tax	(5.6)%	(11.3)%	3.0%
(Loss) from discontinued operations, net of tax	(6.2)%	(4.3)%	(2.5)%
Net (loss) / income attributed to Movado Group, Inc.	(11.8)%	(15.6)%	0.5%

Fiscal 2011 Compared to Fiscal 2010

Net Sales

Net sales in fiscal 2011 were $382.2 million, $32.5 million or 9.3% above the prior year. Excluding $14.6 million of liquidation of excess discontinued inventory in the prior year, fiscal 2011 net sales were $47.1 million or 14.1% above the prior year. The Company is presenting net sales excluding sales of excess discontinued inventory because the Company believes that it is useful to eliminate the effect of this item in order to improve the comparability of the Company s results for the periods presented. For the fiscal year ended January 31, 2011, fluctuations in foreign currency exchange rates unfavorably impacted net sales by $0.9 million when compared to the prior year.

United States Wholesale Net Sales

Net sales in fiscal 2011 in the U.S. wholesale segment were $147.0 million, representing a 5.4% increase above the prior year sales of $139.5 million. Excluding $14.6 million of liquidation of excess discontinued inventory in the prior year, fiscal 2011 net sales were above the prior year by $22.1 million, or 17.7%. (The remaining discussion in this paragraph excludes the impact of the liquidation sales of excess discontinued inventory.) The increase in U.S. wholesale net sales of $22.1 million was primarily due to higher sales in the accessible luxury category of $16.7 million or 23.6% above the prior year. This increase in sales primarily resulted from higher demand as customers began to replenish their inventories after significant destocking in the prior year, when they slowed replenishment and reduced open-to-buy levels as a result of the unfavorable economic conditions. These increases were partially offset by the Company s decision to continue to limit distribution in the current fiscal year, as well as the decision to limit sales to customers the Company believed represented an unacceptable credit risk.

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Additionally, higher net sales were recorded in the licensed brand category of $5.8 million, or 14.2% above the prior year, primarily due to better performance resulting from improved economic conditions when compared to the prior year. Net sales in the luxury category were below the prior year by $0.9 million, or 23.7%.

International Wholesale Net Sales

Net sales in fiscal 2011 in the international wholesale segment were $182.1 million, representing a 17.2% increase above the prior year sales of $155.5 million. The increase in international wholesale net sales of $26.7 million was primarily due to higher sales recorded in the licensed brand category. Net sales in the licensed brand category were above the prior year by $20.4 million or 23.5%, primarily due to growth in existing markets resulting from higher demand. Additionally, higher net sales were recorded in the luxury category of $4.0 million, or 13.9%, as the category was more promotional when compared to the prior year. Furthermore, higher net sales were also recorded in the accessible luxury category of $2.4 million, or 8.0% above the prior year driven by higher sales in Asia and Latin America. For the fiscal year ended January 31, 2011, fluctuations in foreign currency exchange rates unfavorably impacted net sales by $0.9 million when compared to the prior year.

Retail Net Sales

Net sales in fiscal 2011 in the retail segment were $53.1 million, representing a 3.1% decrease from the prior year sales of $54.8 million. The decrease in sales was driven by a decline in comparable store sales of 6.4%, primarily attributable to the segment running fewer in-store promotions year-over-year. As of January 31, 2011, the Company operated 33 outlet stores and the Movado brand flagship store located at Rockefeller Center in New York City, compared to 31 outlet stores as of January 31, 2010.

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, 2011. 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 2011 was $185.2 million or 48.5% of net sales as compared to $165.7 million or 47.4% of net sales in the prior year. The increase in gross profit of $19.5 million was primarily attributable to higher net sales, and to a lesser extent, the higher gross margin percentage achieved. In fiscal 2010, there were a few items that unfavorably impacted the gross margin percentage which did not re-occur in fiscal 2011. The gross margin percentage in fiscal 2010 was unfavorably impacted by approximately 280 basis points resulting from the $14.6 million of sales of excess discontinued inventory. In addition, both gross profit as well as gross margin percentage in fiscal 2010 were unfavorably impacted by overhead absorption and currency effects. The unfavorable overhead absorption in fiscal 2010 was primarily attributed to abnormally low production levels associated with the decline in sales volume without a corresponding decrease in overhead expenses, which unfavorably impacted the gross margin percentage by approximately 110 basis points. The unfavorable currency effects in fiscal 2010 were primarily the result of fluctuations in foreign currency due to losses on the un-hedged portion of the Company s Swiss franc liabilities, predominantly in the United States, which

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unfavorably impacted the gross margin percentage by approximately 90 basis points. In both fiscal 2011 and 2010, 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, there were certain events and circumstances that occurred which resulted in the Company recording an additional cumulative 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. In the fourth quarter of fiscal 2010, the Company conducted a review of inventory and identified excess non-core components and made the decision that it was not economically prudent to invest additional cash and effort to convert these components into finished goods. As a result, the Company recorded a non-cash charge of $8.8 million. The increase in inventory related charges year-over-year negatively affected gross margin in fiscal 2011 by approximately 390 basis points.

Selling, General and Administrative

SG&A expenses for fiscal 2011 were $195.1 million as compared to $187.2 million in the prior year, representing an increase of $7.9 million or 4.2%. The increase in SG&A expenses was driven by higher compensation and benefit expense of $4.8 million resulting from salary increases, the reinstatement of 401(k), other employee benefits and performance based compensation. The increase in SG&A expenses in fiscal 2011 also includes a higher marketing expense of $3.3 million resulting from expenses associated with the licensed brand sales growth as well as the Company s decision to increase investment in this area to elevate its brands connection with consumers and to drive sales growth. Additionally, higher asset write-downs of $0.6 million were recorded year-over-year. In fiscal 2011 and 2010, respectively, asset write-downs of $3.1 million and $2.5 million were recorded associated with long-lived assets primarily related to intangible assets, tooling, trade booths for the Basel Fair and displays. Also contributing to the expense increase in fiscal 2011 was the unfavorable impact of foreign currency of $5.6 million, due both to the translation of international subsidiaries financial results, as well as the transactional effect of foreign denominated assets held in weakening currencies. These expense increases were partially offset by a lower depreciation expense of $1.2 million, primarily due to the impairment of certain assets in the prior fiscal year. The Company also recognized a reduction in consulting and professional fees of $1.2 million year-over-year, primarily as a result of legal fees recorded in fiscal 2010 associated with a legal matter that was settled. Additionally, in fiscal 2011 the Company 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.

Wholesale Operating Loss

Operating losses of $18.6 million and $32.8 million were recorded in the wholesale segment in fiscal 2011 and 2010, respectively. The decrease in loss in fiscal 2011 was the net result of an increase in gross profit of $20.6 million, partially offset by an increase in SG&A expenses of $6.4 million. The increase in gross profit of $20.6 million was primarily the result of the increase in sales volume year-over-year, as well as a higher gross margin percentage achieved when compared to the prior year. The increase in SG&A expenses of $6.4 million in fiscal 2011 was driven by higher compensation and benefit expenses of $4.5 million, higher marketing expenses of $3.2 million, and higher asset write-downs of $0.6 million. Also contributing to the expense increase was the unfavorable effect of foreign currency of $5.6 million. These expense increases were partially offset by lower depreciation expense of $1.1 million, primarily due to the impairment of certain assets in fiscal 2010, and reduced consulting and professional fees of $1.2 million primarily due to lower legal fees. Additionally, in fiscal 2011 the Company 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.

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Retail Operating Income

Operating income of $8.7 million and $11.3 million were recorded in the retail segment in fiscal 2011 and 2010, respectively. The $2.6 million decrease in income was the result of a reduction in gross margin of $1.1 million and an increase in SG&A expenses of $1.5 million. The decrease in gross profit was primarily due to the lower sales volume year-over-year. The increase in SG&A expenses was primarily the result of expenses associated with retail locations that began doing business in fiscal 2011.

Interest Expense

Interest expense for fiscal 2011 was $2.2 million as compared to $4.5 million in the prior year. The decrease in interest expense was primarily the result of expenses and fees totaling $1.3 million associated with the refinancing and repayment of the Company s former credit and note agreements recorded in fiscal 2010. Also contributing to the decrease in interest expense was the reduced interest paid due to lower average borrowings outstanding year-over-year.

For borrowings data for the years ended January 31, 2011 and 2010, see Note 4 to the Consolidated Financial Statements.

Interest Income

Interest income was $0.3 million for fiscal 2011 as compared to $0.1 million for the prior year.

Income Taxes

Income taxes recorded for fiscal 2011 was an expense of $8.8 million, compared to an expense of $13.6 million recorded for fiscal 2010. The effective tax rate for continuing operations for fiscal 2011 was -74.6%, 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, 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 continuing operations for fiscal 2010 was -52.3%, primarily as a result of the establishment of a full valuation allowance against net U.S. deferred tax assets, partially offset by the recording of a tax benefit resulting from a change in U.S. tax law allowing for an elective 5 year carryback for tax losses originating in either fiscal 2009 or fiscal 2010.

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 U.S., primarily due to the Company s U.S. loss position in recent years. Expectation of future income is not sufficient to overcome such negative evidence, and although the Company believes it may ultimately utilize the underlying tax benefits within the statutory limits, the Company recognized a non-cash deferred tax expense of $21.4 million, and further, has not recognized any tax benefit on the net increase in deductible temporary differences during fiscal 2010 or 2011. In the fourth quarter of fiscal 2011, the Company determined it was appropriate to establish a valuation allowance of $11.5 million on the deferred tax assets of one of its Swiss subsidiaries as the expectation of future income is not sufficient to overcome the negative evidence of losses in recent years. However, the Company believes it may ultimately utilize the tax losses before the expiry periods of fiscal 2016 through fiscal 2018. Management will continue to evaluate the appropriate level of allowance on all deferred tax assets, considering such factors as prior earnings history, expectation of future earnings, carryback and carryforward periods, and tax and business strategies that could potentially enhance the likelihood of realization of the deferred tax assets. In addition, the Company recorded a tax benefit of $8.0 million in fiscal 2010 as a result of a change in tax laws which increased the net operating loss carryback period to five years.

Loss From Discontinued Operations

The Company records the financial results of its Movado boutique division, which ceased doing business during the quarter ended July 31, 2010, as discontinued operations. For fiscal 2011 and 2010, the Company recorded a loss from discontinued operations of $23.7 million and $14.9 million, respectively. The fiscal 2011 loss was comprised of a loss from boutique operations of $3.7 million and $20.0 million of expenses recorded for the closing of the boutiques, primarily for occupancy charges, asset impairments, inventory write-downs and severance.

Net Loss Attributed to Movado Group, Inc.

For fiscal 2011, the Company recorded a net loss of $44.9 million compared to a net loss of $54.6 million for the prior year.

Fiscal 2010 Compared to Fiscal 2009

Net Sales

Net sales in fiscal 2010 were $349.7 million, below prior year by $76.2 million or 17.9%. Excluding $14.6 million of liquidation of excess discontinued inventory in the current period, fiscal 2010 net sales were below prior year by $90.8 million, or 21.3%. The Company is presenting net sales excluding sales of excess discontinued inventory because the Company believes that it is useful to eliminate the effect of this item in order to improve the comparability of the Company s results for the periods presented. As a result of the stronger average U.S. dollar during fiscal 2010 when compared to the prior year, and the resulting translation of the international subsidiaries financial results, the effect of foreign currency fluctuations decreased fiscal 2010 net sales by $2.2 million when compared to the prior year.

United States Wholesale Net Sales

Net sales in fiscal 2010 in the U.S. wholesale segment were $139.5 million, representing a 15.9% decrease from prior year sales of $165.8 million. Excluding $14.6 million of liquidation of excess discontinued inventory in the current year period, fiscal 2010 net sales were below prior year by $40.9 million, or 24.7%. (The remaining discussion in this paragraph excludes the impact of the liquidation sales of excess discontinued inventory.) The decrease in U.S. wholesale net sales of $40.9 million was primarily due to lower sales in the accessible luxury category of $35.6 million, or 33.4% below the prior year. Additionally, lower sales of $6.0 million were recorded in the luxury category. The decrease in U.S. wholesale net sales recorded in both the luxury and accessible luxury categories was primarily attributable to the unfavorable impact of the ongoing difficult U.S. economic environment. During fiscal 2010, the Company experienced an unprecedented level of U.S. jewelry retailers closing their operations and liquidating their inventories. As a result, the Company took actions to more closely manage its business in this environment and limit credit risks. Additionally, during fiscal 2010 the U.S. wholesale segment experienced significant destocking by jewelry retailers as they slowed their

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replenishment and reduced open-to-buy levels. Net sales in the licensed brand category were above prior year by $1.7 million. The increase in licensed brand sales was primarily driven by the slight recovery over the prior year s sales that were negatively affected by the downturn in the U.S. economy. The licensed brand category has favorable pricing when compared to the luxury and the accessible luxury categories, making the licensed brand category watches more attractive to consumers who are tightly managing their spending.

International Wholesale Net Sales

Net sales in fiscal 2010 in the international wholesale segment were $155.5 million, representing a 24.4% decrease from prior year sales of $205.5 million. The decrease in international wholesale net sales of $50.0 million was primarily due to lower sales recorded in the luxury and licensed brand categories. Net sales in the luxury category were below prior year by $25.6 million or 47.0%. Net sales in the licensed brand category were below prior year by $18.8 million or 17.8%. Additionally, lower sales were also recorded in the accessible luxury category of $5.9 million, or 16.2% below the prior year. The decrease in international wholesale net sales recorded in all watch categories was primarily attributable to the unfavorable impact of the ongoing difficult global economic environment. In fiscal 2010, the international segment was negatively affected more so than the U.S. segment as the downturn in the global economic environment affected the Company s sales in the U.S. in fiscal 2009 and did not have a major effect on other markets such as Europe and the Middle East until fiscal 2010. As a result of the stronger average U.S. dollar during fiscal 2010 when compared to the prior year, and the resulting translation of the international subsidiaries financial results, the effect of foreign currency fluctuations decreased net sales for fiscal 2010 by $2.2 million when compared to the prior year.

Retail Net Sales

Net sales in fiscal 2010 in the retail segment were $54.8 million, or flat to the prior year. The Company operated 31 outlet stores as of January 31, 2010, compared to 32 outlet stores as of January 31, 2009.

Gross Profit

Gross profit for fiscal 2010 was $165.7 million or 47.4% of net sales as compared to $263.0 million or 61.7% of net sales in the prior year. The decrease in gross profit of $97.3 million was primarily attributable to the lower sales volume as well as an overall decrease in the brand and business gross margin percentage. The gross margin percentage was unfavorably impacted by approximately 340 basis points resulting from a shift in channel and product mix as a result of the global economic recession. The gross margin percentage in fiscal 2010 was also unfavorably impacted by approximately 280 basis points resulting from the $14.6 million of sales of excess discontinued inventory. In addition, both the gross profit as well as the gross margin percentage were unfavorably impacted by currency effects and overhead absorption. As a result of the weaker U.S. dollar compared to the prior year period, fewer net favorable currency benefits were recorded year-over-year related to the Company s natural hedge. This change was primarily attributable to reductions of inventory purchases in Switzerland and resulted in an approximately 230 basis point decline in gross margin percentage. The unfavorable overhead absorption is primarily attributed to abnormally low production levels associated with the decline in sales volume without a corresponding decrease in overhead expenses, which unfavorably impacted the gross margin percentage by approximately 195 basis points. In addition, in the fourth quarter of fiscal 2010, the Company conducted a review of inventory and identified excess non-core components and made the decision that it was not economically prudent to invest additional cash and effort to convert these

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components into finished goods. As a result, the Company recorded a non-cash charge that negatively affected gross margin by approximately 260 basis points.

Selling, General and Administrative

SG&A expenses for fiscal 2010 were $187.2 million as compared to $242.4 million in the prior year, representing a decrease of $55.2 million or 22.8%. The decrease in SG&A expenses was primarily the result of the Company s initiatives to streamline operations and reduce expenses, which included lower marketing expenses for fiscal 2010 of $24.4 million, lower payroll and related expenses of $12.9 million which were primarily the result of headcount reductions, lower travel and related expenses of $2.8 million and lower expenses in the retail segment of $1.8 million. SG&A expenses in the prior year period included $11.1 million of severance related costs associated with the implementation of the Company s initiatives to streamline operations and reduce expenses. Additionally, as a result of the stronger average U.S. dollar during fiscal 2010 compared to the prior year, and the resulting translation of the international subsidiaries financial results, the effect of foreign currency fluctuations favorably impacted SG&A expenses for fiscal 2010 by $1.2 million when compared to the prior year.

Wholesale Operating (Loss) / Income

Operating loss of $32.8 million was recorded in the wholesale segment in fiscal 2010, compared to an operating income of $8.7 million recorded in fiscal 2009. The decrease in profit was the net result of a reduction in gross profit of $94.9 million, partially offset by the decrease in SG&A expenses of $53.4 million. The reduction in gross profit of $94.9 million was primarily the result of the decrease in sales volume year-over-year, as well as the negative effects of channel and product mix, foreign currency, overhead absorption and inventory write-downs. The decrease in SG&A expenses of $53.4 million was driven by lower marketing expenses for fiscal 2010 of $23.8 million, lower payroll and related expenses of $12.9 million and lower travel and related expenses of $2.8 million. SG&A expenses in the prior year period included $11.1 million of severance related costs associated with the implementation of the Company s initiatives to streamline operations and reduce expenses. The expense savings were partially offset by asset write-downs of $2.5 million that were recorded in the current year period. Additionally, as a result of the stronger average U.S. dollar during fiscal 2010 compared to the prior year, and the resulting translation of the international subsidiaries financial results, the effect of foreign currency fluctuations favorably impacted SG&A expenses for fiscal 2010 by $1.2 million when compared to the prior year.

Retail Operating Income

Operating income of $11.3 million was recorded in the retail segment in fiscal 2010 compared to an operating income of $11.9 million recorded for fiscal 2009. The $0.6 million decrease in income was the result of a reduction in gross profit of $2.4 million, partially offset by a reduction in SG&A expenses of $1.8 million. The decrease in gross profit was primarily attributable to lower gross margin percentage achieved year-over-year. The lower gross profit percentage was primarily the result of in-store promotions in effect during fiscal 2010. The decrease in SG&A expenses was primarily the result of the Company s initiatives to streamline operations and reduce expenses.

Interest Expense

Interest expense for fiscal 2010 was $4.5 million as compared to $2.9 million in the prior year period. The increase in interest expense was primarily the result of expenses and fees associated with the

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refinancing and repayment of the Company s former credit and note agreements recorded in fiscal 2010, which included a non-cash pre-tax charge of $0.2 million related to the write-off of unamortized deferred financing costs and a pre-tax charge of $1.1 million for fees due to the former lenders. Also contributing to the increase in interest expense was an increase in recognized deferred financing costs associated with the Company s new line of credit, partially offset by reduced interest recorded pursuant to the Company s borrowing facilities, primarily due to lower average borrowings outstanding year-over-year.

Interest Income

Interest income was $0.1 million for fiscal 2010 as compared to $2.1 million for the prior year. The lower interest income primarily resulted from less average cash invested year-over-year.

Other Income

The Company recorded other income for fiscal 2009 of $0.7 million resulting from a pre-tax gain on the collection of life insurance proceeds from policies covering the Company s former Chairman. The Company did not record other income in fiscal 2010.

Income Taxes

Income taxes recorded for the twelve months ended January 31, 2010 was an expense of $13.6 million, compared to an expense of $7.1 million recorded for the twelve months ended January 31, 2009. The tax recorded for fiscal 2010 resulted in a -52.3% effective tax rate.

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 or all 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 U.S., primarily due to the Company s U.S. loss position in recent years. Expectation of future income is not sufficient to overcome such negative evidence, and although the Company believes it may ultimately utilize the underlying tax benefits within the statutory limits, the Company recognized a non-cash deferred tax expense of $21.4 million, and further has not recognized any tax benefit on the net increase in deductible temporary differences during fiscal 2010. 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. In addition, the Company recorded a tax benefit of $8.0 million in fiscal 2010 as a result of a change in tax laws which increased the net operating loss carryback period to five years.

The tax expense recorded for fiscal 2009 resulted in a 34.6% effective tax rate which included tax accrued on the future repatriation of foreign earnings of $7.4 million partially offset by a release of valuation allowances on foreign tax losses of $3.0 million.

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Loss From Discontinued Operations

The Company records the financial results of its Movado boutique division, which ceased doing business during the quarter ended July 31, 2010, as discontinued operations. For fiscal 2010 and 2009, the Company recorded a loss from discontinued operations of $14.9 million and $10.8 million, respectively.

Net (Loss) / Income Attributed to Movado Group, Inc.

For fiscal 2010, the Company recorded a net loss of $54.6 million compared to net income of $2.3 million for the prior year.

LIQUIDITY AND CAPITAL RESOURCES

At January 31, 2011, the Company had $103.0 million of cash and cash equivalents as compared to $71.0 million at the end of the prior year.

Cash provided by operating activities was $40.4 million for fiscal 2011, resulting from cash provided by continuing operations of $53.6 million, partially offset by $13.2 million of cash used in discontinued operations related to the Movado boutiques. Cash provided by operating activities for fiscal 2010 was $34.7 million, resulting from cash provided by continuing operations of $41.1 million, partially offset by cash used of $6.4 million attributed to discontinued operations. The cash provided by continuing operating activities of $53.6 million for fiscal 2011 was primarily the result of the loss for the period of $20.6 million, offset by favorable changes in working capital of $50.7 million, and favorable non-cash items of $23.5 million. The cash provided by continuing operating activities of $41.1 million for fiscal 2010 was the result of the loss for the period of $39.5 million, offset by favorable changes in working capital of $40.4 million and favorable non-cash items of $40.2 million. Cash used in operating activities for fiscal 2009 was $20.9 million, resulting from cash used in continuing operations of $14.6 million, and cash used of $6.3 million attributed to discontinued operations. The cash used in continuing operations of $14.6 million was the result of income for the period of $13.4 million, favorable non-cash items of $23.1 million and offset by unfavorable changes in working capital of $51.1 million.

Historically, cash generated by operating activities has been the Company s primary source of cash to fund its growth initiatives, pay down debt and to pay dividends, and the Company expects to primarily rely on cash generated by operating activities to fund such activities during fiscal 2012.

Accounts receivable at January 31, 2011 were $59.8 million as compared to $67.8 million in the comparable prior year period. Foreign currency translation had the effect of increasing the accounts receivable at January 31, 2011 by $1.5 million. The accounts receivable days outstanding were 53 days and 63 days for the fiscal years ended January 31, 2011 and 2010, respectively. This change was primarily the result of the Company s efforts to focus on cash flow and tightly manage customers with credit risk.

Inventories at January 31, 2011 were $179.5 million as compared to $204.1 million in the comparable prior year period. Foreign currency translation had the effect of increasing the value of the inventory at January 31, 2011 by $11.2 million. 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. In the

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fourth quarter of fiscal 2010, the Company identified excess non-core components and recorded a non-cash charge of $8.8 million.

Cash used in investing activities from continuing operations amounted to $7.6 million, $5.5 million and $22.2 million in fiscal 2011, 2010 and 2009, respectively. Cash used in investing activities for each of these three years primarily consisted of capital expenditures which included the acquisition and integration of computer hardware and software in conjunction with the SAP enterprise resource planning system, as well as spending for tooling and design.

Cash used in financing activities for the years ended January 31, 2011, 2010 and 2009 amounted to $9.6 million, $52.3 million and $39.9 million, respectively. For fiscal 2011 and 2010, the cash used was primarily to pay down debt. For fiscal 2009, the cash used was primarily to repurchase stock and 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 Loan Agreement) with Bank of America, N.A. and Bank Leumi USA, as lenders, and Bank of America, N.A., as agent (in such capacity, the Agent). The parties amended the Loan Agreement by entering into Amendment No. 1 thereto (First Amendment) on April 5, 2011. The Loan Agreement, as amended, provides a $55.0 million asset based senior secured revolving credit facility (the Facility), including a $15.0 million letter of credit subfacility. The maturity date of the Facility is July 17, 2012.

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 until the date (the Block Release Date) on which the Borrowers have achieved for a four fiscal quarter period a consolidated fixed charge coverage ratio of at least 1.25 to 1.0 and have domestic EBITDA greater than $10.0 million. The availability block must remain in place for at least one year. The amount of the availability block will be reduced by the amount by which the borrowing base exceeds $55.0 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. As of January 31, 2011, total availability under the Facility, giving effect to the availability block, no outstanding borrowings and the letters of credit outstanding under the subfacility, was $46.6 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. As of the third quarter of fiscal 2011, the applicable margin decreased to 4.00% for LIBOR loans and 3.00% for base rate loans. The First Amendment reduced the applicable margin for both LIBOR rate loans and base rate loans by 1.25%. Accordingly, as of April 5, 2011 and based on current availability, the applicable margins were 2.75% and 1.75% for LIBOR and base rate loans, respectively.

Prior to the Block Release Date, if borrowing availability is less than $10.0 million (which threshold may be reduced to the extent the borrowing base exceeds $55.0 million, up to a maximum $5.0 million reduction), the Borrowers will be subject to a minimum EBITDA covenant. After the Block Release Date, the Borrowers will be subject to a minimum EBITDA covenant if borrowing availability is less

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than $15.0 million. As of January 31, 2011, the Borrowers were not subject to the minimum EBITDA covenant.

In addition, after the Block Release Date, if borrowing availability is less than $15.0 million, the Borrowers will be subject to a minimum fixed charge coverage ratio.

The Borrowers deposit accounts will be subject to cash dominion prior to the Block Release Date if borrowing availability is less than $7.5 million, but such threshold may be reduced to the extent the borrowing base exceeds $55.0 million, up to a maximum $5.0 million reduction. After the Block Release Date, cash dominion will be imposed if borrowing availability is less than $15.0 million. As of January 31, 2011, 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, as amended, 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. As amended, the Loan Agreement permits Borrowers to pay dividends through July 17, 2012 in an aggregate amount not to exceed (a) $4 million during any four fiscal quarters or (b) $5.5 million during the entire period from February 1, 2011 through July 17, 2012, provided that no event of default has occurred and that, for the four fiscal quarter period most recently ended prior to the proposed dividend payment date, the Borrowers have achieved an adjusted consolidated fixed charge coverage ratio of at least 1.25 to 1.0 and have proforma availability greater than $12.5 million. The Company believes that, as of April 5, 2011, it was in compliance with these financial covenants and that it achieved the requisite adjusted consolidated fixed charge coverage ratio necessary to pay a dividend in April 2011. The Company presently expects that it will be able to pay dividends through the remaining term of the Facility.

The Loan Agreement, as amended, 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, 2011 and 2010, these lines of credit totaled 10.0 million Swiss francs for both periods, with dollar equivalents of $10.6 million and $9.5 million, respectively. As of January 31, 2011 and 2010, there were no borrowings against these lines. As of January 31, 2011, two European banks have guaranteed obligations to third parties on behalf of two of the Company s foreign subsidiaries in the amount of $1.8 million in various foreign currencies.

As a result of Movado Group s strong financial position, the Company s Board of Directors decided to reinstate a quarterly cash dividend subject, in each quarter, to the Board s review of the Company s financial performance and other factors as determined by the Board. Effective April 7, 2011 the Board of Directors approved the payment on April 29, 2011 of a cash dividend in the amount of $0.03 for each 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 18, 2011. The Company anticipates a total annualized dividend of $0.12 per share of common stock and class A common stock, or approximately $3 million based on the current number of outstanding shares. In April 2009, considering the economic environment at that time, the Board discontinued the payment of cash dividends in order to retain additional capital. The Company paid a cash dividend of $0.05 per share, or approximately $1.2 million, for the year ended January 31, 2010 (which was declared before the Board s April 2009 decision to discontinue further cash dividends) and $0.24 per share, or approximately $5.9 million, for the year ended January 31, 2009.

On April 15, 2008, the Board of Directors authorized a program to repurchase up to one million shares of the Company s common stock. Under this authorization, the Company has the option to repurchase shares over time, with the amount and timing of repurchases depending on market conditions and corporate needs. The Company entered into a Rule 10b5-1 plan to facilitate repurchases of its shares under this authorization. A Rule 10b5-1 plan permits a company to repurchase shares at times when it might otherwise be prevented from doing so, provided the plan is adopted when the company is not aware of material non-public information. The Company may suspend or discontinue the repurchase of stock at any time. Under this share repurchase program, as of January 31, 2009, 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, 2011, the Company did not repurchase shares of common stock under this plan.

At January 31, 2011, the Company had working capital of $310.3 million as compared to $321.9 million in the prior year. The Company defines working capital as the difference between current assets and current liabilities.

The Company expects that annual capital expenditures in fiscal 2012 will be approximately $11 million as compared to $7.3 million in fiscal 2011. The capital spending will be primarily for projects in the ordinary course of business including facilities improvements, other 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)	44,847	10,317	13,784	9,037	11,709
Purchase Obligations (2)	87,602	87,602	-	-	-
Other Long-Term Obligations (3)	85,763	21,062	43,962	16,202	4,537
Total Contractual Obligations	$ 218,212	$ 118,981	$ 57,746	$ 25,239	$ 16,246

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(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 2011 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.

Off-Balance Sheet Arrangements

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

RECENTLY ISSUED ACCOUNTING STANDARDS AND NEWLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In the first quarter of fiscal 2011, the Company adopted FASB issued accounting guidance that requires the gross presentation of activity within the Level 3 fair value measurement roll forward and details of transfers in and out of Level 1 and 2 fair value measurements. It also clarifies existing disclosure requirements regarding the level of disaggregation of fair value measurements and disclosures on inputs. The adoption of this guidance did not have a material impact on the Company s financial statements.

In the first quarter of fiscal 2011, the Company adopted new standards for determining whether to consolidate a variable interest entity. These new standards eliminated a mandatory quantitative approach to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity in favor of a qualitatively focused analysis, and require an ongoing reassessment of whether an entity is the primary beneficiary. The adoption of these new standards did not impact the Company s financial statements.

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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, 2011, the Company s entire net forward contracts hedging portfolio consisted of 37.0 million Swiss francs equivalent for various expiry dates ranging through July 21, 2011 compared to a portfolio of 54.0 million Swiss francs equivalent for various expiry dates ranging through July 20, 2010 as of January 31, 2010. If the Company were to settle its Swiss franc forward contracts at January 31, 2011, the net result would be a gain of $0.7 million, net of tax of $0.4 million. The Company had no Swiss franc option contracts related to cash flow hedges as of January 31, 2011 and January 31, 2010, respectively.

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, 2011 and 2010, 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

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hold any futures contracts in its gold hedge portfolio related to cash flow hedges as of January 31, 2011 and 2010, thus any changes in the gold price will have an equal effect on the Company s cost of sales.

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. The Company believes that a 1% change in interest rates would affect the Company s net income by approximately $0.1 million. 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.

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Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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 2010 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, 2011, 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 2011 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 2011 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 2011 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 2011 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 2011 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 2011 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 2011 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 63 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: April 7, 2011 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: April 7, 2011	/s/ Efraim Grinberg Efraim Grinberg Chairman of the Board of Directors and Chief Executive Officer
Dated: April 7, 2011	/s/ Richard J. Coté Richard J. Coté President and Chief Operating Officer
Dated: April 7, 2011	/s/ Sallie A. DeMarsilis Sallie A. DeMarsilis Senior Vice President, Chief Financial Officer and Principal Accounting Officer
Dated: April 7, 2011	/s/ Margaret Hayes Adame Margaret Hayes Adame Director
Dated: April 7, 2011	/s/ Alan H. Howard Alan H. Howard Director
Dated: April 7, 2011	/s/ Richard D. Isserman Richard D. Isserman Director

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Dated: April 7, 2011	/s/ Nathan Leventhal Nathan Leventhal Director
Dated: April 7, 2011	/s/ Donald Oresman Donald Oresman Director
Dated: April 7, 2011	/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.*

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Exhibit Number	Description
10.19	License Agreement entered into December 15, 2004 between MGI Luxury Group S.A. and HUGO BOSS Trade Mark Management GmbH & Co. Incorporated herein by reference to Exhibit 10.38 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 2005.
10.20	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.
10.21	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.
10.22	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.
10.23	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.
10.24	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.
10.25	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.*
10.26	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. *

Exhibit Number	Description
10.27	Joint Venture Agreement dated May 11, 2007 by and between Swico Limited, Movado Group, Inc. and MGS Distribution Limited. Incorporated herein by reference to Exhibit 10.47 to the Registrant s Annual Report on Form 10-K for the year ended January 31, 2009.
10.28	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.
10.29	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.
10.30	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.
10.31	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.*
10.32	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.
10.33	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.
10.34	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.

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Exhibit Number	Description
10.35	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. ***
10.36	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. **
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.**

* Constitutes a compensatory plan or arrangement

** Filed herewith

***Confidential portions of Exhibit 10.35 have been omitted and filed separately with Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

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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, 2011.

Our internal control over financial reporting as of January 31, 2011 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 at January 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2011 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, 2011, 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

April 7, 2011

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MOVADO GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Fiscal Year Ended January 31,		
	2011	**2010**	**2009**
Continuing operations:			
Net sales	$ 382,190	$ 349,705	$ 425,895
Cost of sales	196,951	184,043	162,934
Gross profit	185,239	165,662	262,961
Selling, general and administrative	195,099	187,177	242,391
Operating (loss) / income	(9,860)	(21,515)	20,570
Other income, net (Note 17)	-	-	681
Interest expense	(2,247)	(4,535)	(2,915)
Interest income	319	111	2,132
(Loss) / income from continuing operations before income taxes	(11,788)	(25,939)	20,468
Provision for income taxes (Note 7)	8,792	13,553	7,086
(Loss) / income from continuing operations	(20,580)	(39,492)	13,382
Discontinued operations:			
(Loss) from discontinued operations, net of tax	(23,675)	(14,909)	(10,830)
Net (loss) / income	(44,255)	(54,401)	2,552
Less: Net income attributed to noncontrolling interests	665	224	237
Net (loss) / income attributed to Movado Group, Inc.	$ (44,920)	$ (54,625)	$ 2,315
(Loss) / income attributable to Movado Group, Inc.:			
(Loss) /income from continuing operations, net of tax	$ (21,245)	$ (39,716)	$ 13,145
(Loss) from discontinued operations, net of tax	(23,675)	(14,909)	(10,830)
Net (loss) / income	$ (44,920)	$ (54,625)	$ 2,315
Basic (loss) / income per share:			
Weighted basic average shares outstanding	24,753	24,541	24,782
(Loss) / income per share from continuing operations attributed to Movado Group, Inc.	$ (0.86)	$ (1.62)	$ 0.53
(Loss) per share from discontinued operations	$ (0.96)	$ (0.61)	$ (0.44)
Net (loss) / income per share attributed to Movado Group, Inc.	$ (1.81)	$ (2.23)	$ 0.09
Diluted (loss) / income per share:			
Weighted diluted average shares outstanding	24,753	24,541	25,554
(Loss) / income per share from continuing operations attributed to Movado Group, Inc.	$ (0.86)	$ (1.62)	$ 0.51
(Loss) per share from discontinued operations	$ (0.96)	$ (0.61)	$ (0.44)
Net (loss) / income per share attributed to Movado Group, Inc.	$ (1.81)	$ (2.23)	$ 0.09
Dividends declared per share	$ -	$ -	$ 0.29

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, 2011	January 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 103,016	$ 70,975
Trade receivables, net	59,768	67,785
Inventories	179,516	204,096
Other current assets	30,597	37,435
Total current assets	372,897	380,291
Property, plant and equipment, net	38,525	47,394
Other non-current assets	30,686	41,692
Total assets	$ 442,108	$ 469,377
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 21,487	$ 22,661
Accrued liabilities	31,654	31,321
Accrued payroll and benefits	8,080	3,840
Deferred and current income taxes payable	1,328	541
Total current liabilities	62,549	58,363
Long-term debt	-	10,000
Deferred and non-current income taxes payable	6,960	7,874
Other non-current liabilities	17,869	21,688
Total liabilities	87,378	97,925
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; 25,910,838 and 25,134,084 shares issued, respectively	259	251
Class A Common Stock, $0.01 par value, 30,000,000 shares authorized; 6,634,319 and 6,634,319 shares issued and outstanding, respectively	66	66
Capital in excess of par value	149,492	138,076
Retained earnings	220,936	265,856
Accumulated other comprehensive income	93,028	67,390
Treasury Stock, 7,743,676 and 7,171,348 shares at cost, respectively	(111,331)	(102,071)
Total Movado Group, Inc. shareholders equity	352,450	369,568
Noncontrolling interests	2,280	1,884
Total equity	354,730	371,452

Total liabilities and equity	$ 442,108	$ 469,377

See Notes to Consolidated Financial Statements

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MOVADO GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Fiscal Year Ended January 31,		
	2011	**2010**	**2009**
Cash flows from operating activities:			
Net (loss) / income	$ (44,255)	$ (54,401)	$ 2,552
Adjustments to reconcile net (loss) / income to net cash (used) / provided by operating activities:			
Loss from discontinued operations	23,675	14,909	10,830
Depreciation and amortization	13,705	15,428	13,399
Deferred income taxes	3,715	18,618	6,677
Provision for losses on accounts receivable	1,711	2,270	3,210
Gain on proceeds from insurance	-	-	(681)
Stock-based compensation	1,530	929	226
Impairment of long-lived assets	3,086	2,463	-
Excess (tax benefit) / tax expense from stock-based compensation	(279)	502	151
Loss on disposition of property, plant and equipment	-	-	121
Changes in assets and liabilities:			
Trade receivables	7,775	10,446	10,549
Inventories	26,907	35,665	(35,533)
Other current assets	8,561	5,322	(12,814)
Accounts payable	(1,636)	1,616	(16,511)
Accrued liabilities	1,936	(11,093)	12,291
Accrued payroll and benefits	4,240	(1,092)	(8,247)
Income taxes payable	1,279	(409)	(2,925)
Other non-current assets	3,802	383	3,751
Other non-current liabilities	(2,181)	(422)	(1,629)
Net cash provided by / (used in) operating activities from continuing operations	53,571	41,134	(14,583)
Net cash (used in) operating activities from discontinued operations	(13,207)	(6,414)	(6,284)
Net cash provided by / (used in) operating activities	40,364	34,720	(20,867)
Cash flows from investing activities:			
Capital expenditures	(7,303)	(4,901)	(22,398)
Trademarks	(298)	(579)	(851)
Proceeds from insurance	-	-	1,006
Net cash (used in) investing activities from continuing operations	(7,601)	(5,480)	(22,243)
Net cash (used in) investing activities from discontinued operations	(100)	-	(283)
Net cash (used in) investing activities	(7,701)	(5,480)	(22,526)
Cash flows from financing activities:			
Proceeds of bank borrowings	30,000	55,908	40,000
Repayments of bank borrowings	(40,000)	(79,838)	(26,175)
Repayment of Senior Notes	-	(25,000)	(10,000)
Financing fee	-	(2,772)	-
Repurchase of treasury stock	-	-	(37,871)
Stock options exercised	355	1,160	522

Excess tax benefit / (tax expense) from stock-based compensation	279	(502)	(151)
Distribution of noncontrolling interests earnings	(232)	-	(297)
Dividends paid	-	(1,220)	(5,909)
Net cash (used in) financing activities from continuing operations	(9,598)	(52,264)	(39,881)
Net cash (used in) financing activities from discontinued operations	-	-	-
Net cash (used in) financing activities	(9,598)	(52,264)	(39,881)
Effect of exchange rate changes on cash and cash equivalents	8,976	7,378	344
Net increase / (decrease) in cash and cash equivalents	32,041	(15,646)	(82,930)
Cash and cash equivalents at beginning of year	70,975	86,621	169,551
Cash and cash equivalents at end of year	$ 103,016	$ 70,975	$ 86,621

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, 2008	$ -	$ 243	$ 66	$ 128,902	$ 325,296	$ 65,748	$ (57,202)	$ 2,007	$ 465,060
Net income					2,315			237	2,552
Dividends $(0.29 per share)					(7,130)				(7,130)
Stock repurchase							(37,871)		(37,871)
Stock options exercised, net of tax benefit of $234		3		2,524			(2,298)		229
Supplemental executive retirement plan				144					144
Stock-based compensation expense				226					226
Net unrealized loss on investments, net of tax benefit of $128						(190)			(190)
Net change in effective portion of hedging contracts, net of tax benefit of $1,511						(2,266)			(2,266)
Foreign currency translation adjustment						(19,251)		(441)	(19,692)
Distribution of noncontrolling interests earnings								(297)	(297)
Balance, January 31, 2009	-	246	66	131,796	320,481	44,041	(97,371)	1,506	400,765
Net income					(54,625)			224	(54,401)
Stock options exercised, net of tax of $835		5		5,549			(4,700)		854
Supplemental executive retirement plan				(198)					(198)
Stock-based compensation expense				929					929
Net unrealized gain on investments, net of tax of $0						52			52
Net change in effective portion of hedging contracts, net of tax of $0						(1,696)			(1,696)
Foreign currency translation adjustment						24,993		154	25,147
Balance, January 31, 2010	-	251	66	138,076	265,856	67,390	(102,071)	1,884	371,452
Net income					(44,920)			665	(44,255)
Stock options exercised, net of tax of $0		8		9,890			(9,260)		638
Supplemental executive retirement plan				(4)					(4)
				1,530					1,530

Stock-based compensation expense									
Net unrealized gain on investments, net of tax of $0						97			97
Net change in effective portion of hedging contracts, net of tax of $0						73			73
Foreign currency translation adjustment						25,468		(37)	25,431
Distribution of noncontrolling interests earnings								(232)	(232)
Balance, January 31, 2011	$ -	$ 259	$ 66	$ 149,492	$ 220,936	$ 93,028	$ (111,331)	$ 2,280	$ 354,730

See Notes to Consolidated Financial Statements

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(Shares information in thousands)	Common Stock	Class A Common Stock	Treasury Stock
Balance, January 31, 2008	24,267	6,634	(4,831)
Stock issued to employees exercising stock options	229	-	(79)
Stock repurchase	-	-	(1,893)
Restricted stock and other stock plans, less cancellations	97	-	(24)
Balance, January 31, 2009	24,593	6,634	(6,827)
Stock issued to employees exercising stock options	465	-	(306)
Restricted stock and other stock plans, less cancellations	76	-	(38)
Balance, January 31, 2010	25,134	6,634	(7,171)
Stock issued to employees exercising stock options	718	-	(545)
Restricted stock and other stock plans, less cancellations	59	-	(28)
Balance, January 31, 2011	25,911	6,634	(7,744)

See Notes to Consolidated Financial Statements

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 2011, the Company marketed nine distinctive brands of watches: Movado, Ebel, Concord, ESQ, Coach, HUGO BOSS, Juicy Couture, Tommy Hilfiger and Lacoste, 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, and Lacoste watches are manufactured by independent contractors in Asia.

In addition to its sales to trade customers and independent distributors, through a wholly-owned domestic subsidiary, the Company sells select models of Movado watches directly to consumers in its Movado brand flagship store, located at Rockefeller Center in New York City and 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 ending 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company uses estimates when accounting for sales discounts, rebates, allowances and incentives, warranties, income taxes, depreciation, amortization, 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 2011 presentation. In fiscal 2010, certain receivables were reclassified from accounts receivables to other current assets to conform to fiscal 2011 presentation.

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 $93.0 million and $67.6 million as of January 31, 2011 and 2010, 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 sheet 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 $16.0 million, $20.2 million and $19.6 million at January 31, 2011, 2010 and 2009, respectively.

The Company s concentrations of credit risk arise primarily from accounts receivable related to trade customers during the peak selling seasons. The Company has significant accounts receivable balances due from major 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, 2011, 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 values its inventory at the lower of cost or market. The Company s U.S. inventory is valued using the first-in, first-out (FIFO) method. The cost of finished goods and component inventories, held by international subsidiaries, are determined using average cost. The Company performs a review of its on-hand inventory to determine amounts, if any, of inventory that is deemed discontinued, excess, or unsaleable. Inventory classified as discontinued and, 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 the fiscal year ended January 31, 2011, there were certain events and circumstances that occurred which resulted in the Company recording an additional cumulative provision 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 use proprietary watch movements that are 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, during the fourth quarter of the fiscal year ended January 31, 2011, the Company concluded it would significantly reduce its offering of gold watches considering particularly recent increases in the cost of gold and recorded a charge to cost of sales related to its inventory of certain non-core gold watches and related parts. 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 the time, effort and cost 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. The Company plans to dispose of and melt the gold inventory and expects to recover approximately $11 million in cash, which was factored into the net charge recorded.

During the fiscal year ended January 31, 2010, the Company identified excess non-core components. The Company made the decision that it was not economically prudent to invest additional cash and effort to convert these components into finished goods, and subsequently recorded a charge of $8.8 million in cost of sales. During the fiscal year ended January 31, 2009, the Company went through a process of scrapping unsaleable inventory and components which were written-down in previous fiscal years.

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.

During the fourth quarter of fiscal 2010, the Company determined that the carrying value of its long-lived assets primarily with respect to certain Movado boutiques and trade booths for the Basel Fair were not recoverable. The review was performed because of the ongoing difficult economic conditions that had a negative effect on the Company s fourth quarter ended January 31, 2010, the retail segment s largest quarter of the year in terms of sales and profitability. As a result, the Company recorded a non-cash pre-tax charge of $7.6 million related to the write-downs of property, plant and equipment. Of these charges, $5.1 million is included in discontinued operations and $2.5 million is included in the selling, general and administrative expenses in the Consolidated Statements of Operations. During the first quarter of fiscal 2011, the Company determined that the carrying value of its long-lived assets with respect to certain Movado boutiques were 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. These charges are included in discontinued operations in the Consolidated Statements of Operations. During 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. These charges are 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 expected undiscounted future operating cash flows are lower than the carrying value. At January 31, 2011 and 2010, intangible assets at cost were $12.0 million and $11.0 million, respectively, and related accumulated amortization of intangibles was $9.7 million and $7.1 million, respectively. Amortization expense for fiscal 2011, 2010 and 2009 was $0.9 million, $0.8 million and $1.0 million, respectively. As mentioned in Long-Lived Assets, impairment charges related to certain intangible assets were recorded in fiscal 2011 and 2010 in the amount of $1.3 million and $0.1 million, respectively.

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

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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 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.

Cost of Sales

Cost of sales of the Company s products consist primarily of component costs, 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. In the fourth quarter of fiscal 2011, the Company conducted a review of inventory and recorded a $24.1 million non-cash charge in cost of sales to record inventory at market value, primarily related to Ebel proprietary movements and excess non-core gold watches and related components. In the fourth quarter of fiscal 2010, the Company conducted a review of inventory and identified excess non-core components and made the decision that it was not economically prudent to invest additional cash and effort to convert these components into finished goods. As a result, the Company recorded a non-cash charge of $8.8 million.

Selling, General and Administrative Expenses

The Company s SG&A expenses consist primarily of marketing, selling, distribution and general and administrative expenses. During the second half of fiscal 2009, the Company announced initiatives designed to streamline operations, reduce expenses, and improve efficiencies and effectiveness across the Company s global organization. In fiscal 2009, the Company recorded a total pre-tax charge of $11.1 million related to the completion of these programs and a restructuring of certain benefit arrangements. In fiscal 2010, the Company recorded a non-cash pre-tax charge of $2.5 million related to asset write-downs of property, plant and equipment, related primarily to certain trade booths for the Basel Fair. In fiscal 2011, the Company recorded a non-cash pre-tax charge of $3.1 million primarily related to the write-down of certain assets related to intangible assets, tooling costs and trade booths for the Basel Fair. Also in fiscal 2011, the Company reversed a previously recorded liability of $4.3 million for the 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

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Company s continued success as well as on general economic conditions in the various markets around the world in which the Company sells its products.

Selling expenses consist primarily of salaries, sales commissions, sales force travel and related expenses, 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, employee benefit plan costs, office rent, management information systems costs, professional fees, bad debts, depreciation and amortization of computer software, furniture 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 accrual as required.

Warranty liability for the fiscal years ended January 31, 2011, 2010 and 2009 was as follows (in thousands):

	2011	2010	2009
Balance, beginning of year	$ 1,911	$ 1,864	$ 2,193
Provision charged to operations	2,149	1,911	1,864
Settlements made	(1,911)	(1,864)	(2,193)
Balance, end of year	$ 2,149	$ 1,911	$ 1,864

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

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recorded as a reduction of revenue. Marketing expense for fiscal 2011, 2010 and 2009 amounted to $58.9 million, $54.4 million and $78.9 million, respectively.

Included in the other current assets in the consolidated balance sheets as of January 31, 2011 and 2010 are prepaid advertising costs of $0.2 million and $1.1 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 the fiscal years ended January 31, 2011, 2010 and 2009 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 adopted guidance for accounting for uncertainty in income taxes, on February 1, 2007. 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. The Company previously recognized income tax positions based on management s estimate of whether it was reasonably possible that a liability had been incurred for unrecognized tax benefits by applying the guidance for accounting for contingencies.

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 24,753,000, 24,541,000 and 24,782,000 for fiscal 2011, 2010 and 2009, respectively. For the twelve months ended January 31, 2011 and January 31, 2010, 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 twelve

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months ended January 31, 2009, the number of shares outstanding for diluted earnings per share were increased by 772,000 due to potentially dilutive common stock equivalents issuable under the Company s stock compensation plans.

For the years ended January 31, 2011 and January 31, 2010, approximately 685,000 and 1,101,000, 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

On February 1, 2006, the Company adopted the accounting guidance for share-based payment, electing to use the modified prospective application transition method, and accordingly, prior period financial statements have not been restated. Under this method, the fair value of all stock options granted after adoption and the unvested portion of previously granted awards must be recognized in the Consolidated Statements of Income. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of each option at the grant date which requires that certain assumptions be made. The expected life of stock option grants is determined using historical data and represents the time period which the stock option is expected to be outstanding until it is exercised. The risk free interest rate is the yield on the grant date of U.S. Treasury constant maturities with a maturity date closest to the expected life of the stock option. The expected stock price volatility is derived from historical volatility and calculated based on the estimated term structure of the stock option grant. The expected dividend yield is calculated using the expected annualized dividend which remains constant during the expected term of the option.

This accounting guidance requires that compensation expense for equity instruments be accrued based on the estimated number of instruments for which the requisite service is expected to be rendered. Additionally, for performance based awards, compensation expense should be accrued only if it is probable that the performance condition will be achieved. The Company reviews the estimates of forfeitures and the probability of performance conditions being achieved at each reporting period. Any changes to compensation expense as a result of a change in these estimates are reflected in the period of change. During fiscal years 2010 and 2009, as a result of the deteriorating global economy, it became apparent that the performance goals for certain Long Term Incentive Plan grants would not be achieved. This resulted in the reversal of previously accrued stock-based compensation expenses of approximately $0.7 million and $3.2 million, respectively. During fiscal 2011, there were no performance shares issued under the Long Term Incentive Plan.

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

Recently Issued Accounting Standards and Newly Adopted Accounting Pronouncements

In the first quarter of fiscal 2011, the Company adopted FASB issued accounting guidance that requires the gross presentation of activity within the Level 3 fair value measurement roll forward and details of transfers in and out of Level 1 and 2 fair value measurements. It also clarifies existing disclosure requirements regarding the level of disaggregation of fair value measurements and disclosures on inputs. The adoption of this guidance did not have a material impact on the Company s financial statements.

In the first quarter of fiscal 2011, the Company adopted new standards for determining whether to consolidate a variable interest entity. These new standards eliminated a mandatory quantitative

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approach to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity in favor of a qualitatively focused analysis, and require an ongoing reassessment of whether an entity is the primary beneficiary. The adoption of these new standards did not impact the Company s financial statements.

NOTE 2 INVENTORIES

Inventories at January 31, consisted of the following (in thousands):

	Fiscal Year Ended January 31,	
	2011	**2010**
Finished goods	$ 95,258	$ 128,334
Component parts	63,065	55,077
Work-in-process	21,193	20,685
	$ 179,516	$ 204,096

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

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

	Fiscal Year Ended January 31,	
	2011	**2010**
Land and buildings	$ 4,887	$ 4,385
Furniture and equipment	58,235	57,994
Computer software	41,179	38,867
Leasehold improvements	20,490	39,399
Design fees and tooling costs	13,196	11,513
	137,987	152,158
Less: accumulated depreciation	99,462	104,764
	$ 38,525	$ 47,394

Depreciation and amortization expense for continuing operations, related to property, plant and equipment for fiscal 2011, 2010 and 2009 was $12.2 million, $13.8 million and $12.1 million, respectively, which includes computer software amortization expense for fiscal 2011, 2010 and 2009 of $2.8 million, $2.9 million and $1.0 million, respectively. In the first quarter of fiscal 2011, the Company recorded a non-cash pre-tax charge of $3.4 million related to write-downs of property, plant and equipment related to certain Movado boutiques. Additionally, in fiscal 2011, the Company recorded a non-cash pre-tax charge of $1.2 million related to the write-down of long-lived assets primarily related to tooling costs and trade booths for the Basel Fair. In fiscal 2010, the Company recorded a non-cash pre-tax charge of $7.6 million, related to the write-down of long-lived assets primarily related to certain Movado boutiques and, to a lesser extent, trade booths for the Basel Fair. In fiscal 2009, the Company recorded a non-cash pre-tax impairment charge of $4.5 million related to the write-down of long-lived assets related to certain Movado boutiques.

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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 Loan Agreement) with Bank of America, N.A. and Bank Leumi USA, as lenders, and Bank of America, N.A., as agent (in such capacity, the Agent). The parties amended the Loan Agreement by entering into Amendment No. 1 thereto (First Amendment) on April 5, 2011. The Loan Agreement, as amended, provides a $55.0 million asset based senior secured revolving credit facility (the Facility), including a $15.0 million letter of credit subfacility. The maturity date of the Facility is July 17, 2012.

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 until the date (the Block Release Date) on which the Borrowers have achieved for a four fiscal quarter period a consolidated fixed charge coverage ratio of at least 1.25 to 1.0 and have domestic EBITDA greater than $10.0 million. The availability block must remain in place for at least one year. The amount of the availability block will be reduced by the amount by which the borrowing base exceeds $55.0 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. As of January 31, 2011, total availability under the Facility, giving effect to the availability block, no outstanding borrowings and the letters of credit outstanding under the subfacility, was $46.6 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. As of the third quarter of fiscal 2011, the applicable margin decreased to 4.00% for LIBOR loans and 3.00% for base rate loans. The First Amendment reduced the applicable margin for both LIBOR rate loans and base rate loans by 1.25%. Accordingly, as of April 5, 2011 and based on current availability, the applicable margins were 2.75% and 1.75% for LIBOR and base rate loans, respectively.

Prior to the Block Release Date, if borrowing availability is less than $10.0 million (which threshold may be reduced to the extent the borrowing base exceeds $55.0 million, up to a maximum $5.0 million reduction), the Borrowers will be subject to a minimum EBITDA covenant. After the Block Release Date, the Borrowers will be subject to a minimum EBITDA covenant if borrowing availability is less than $15.0 million. As of January 31, 2011, the Borrowers were not subject to the minimum EBITDA covenant.

In addition, after the Block Release Date, if borrowing availability is less than $15.0 million, the Borrowers will be subject to a minimum fixed charge coverage ratio.

The Borrowers deposit accounts will be subject to cash dominion prior to the Block Release Date if borrowing availability is less than $7.5 million, but such threshold may be reduced to the extent the borrowing base exceeds $55.0 million, up to a maximum $5.0 million reduction. After the Block Release Date, cash dominion will be imposed if borrowing availability is less than $15.0 million. As of January 31, 2011, the Borrowers were not subject to cash dominion nor do the Borrowers expect to be subject to such a requirement in the foreseeable future.

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The Loan Agreement, as amended, 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. As amended, the Loan Agreement permits Borrowers to pay dividends through July 17, 2012 in an aggregate amount not to exceed (a) $4 million during any four fiscal quarters or (b) $5.5 million during the entire period from February 1, 2011 through July 17, 2012, provided that no event of default has occurred and that, for the four fiscal quarter period most recently ended prior to the proposed dividend payment date, the Borrowers have achieved an adjusted consolidated fixed charge coverage ratio of at least 1.25 to 1.0 and have proforma availability greater than $12.5 million. The Company believes that, as of April 5, 2011, it was in compliance with these financial covenants and that it achieved the requisite adjusted consolidated fixed charge coverage ratio necessary to pay a dividend in April 2011. The Company presently expects that it will be able to pay dividends through the remaining term of the Facility.

The Loan Agreement, as amended, 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, 2011 and 2010, these lines of credit totaled 10.0 million Swiss francs for both periods, with dollar equivalents of $10.6 million and $9.5 million, respectively. As of January 31, 2011 and 2010, there were no borrowings against these lines. As of January 31, 2011, two European banks have guaranteed obligations to third parties on behalf of two of the Company s foreign subsidiaries in the amount of $1.8 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 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, 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 is

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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 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.

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, 2011, the Company s entire net forward contracts hedging portfolio consisted of 37.0 million Swiss francs equivalent for various expiry dates ranging through July 21, 2011.

The following table summarizes the fair value and presentation in the consolidated balance sheets for derivatives designated as hedging instruments under the relevant accounting guidance and derivatives not designated as hedging instruments under the relevant guidance as of January 31, (in thousands):

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	**2011 Fair Value**	**2010 Fair Value**	**Balance Sheet Location**	**2011 Fair Value**	**2010 Fair Value**
Derivatives not designated as hedging instruments:						
Foreign Exchange Contracts	Other Current Assets	$ 1,123	$ -	Accrued Liabilities	$ -	$ 2,109
Total Derivative Instruments		$ 1,123	$ -		$ -	$ 2,109

As of January 31, 2011, the balance of deferred net losses on derivative financial instruments documented as cash flow hedges included in accumulated other comprehensive income (AOCI) was $0.1 million in net losses, net of tax of $1.0 million, compared to $0.2 million in net losses at January 31, 2010, net of tax of $1.0 million and $1.5 million in net gains at January 31, 2009, net of tax of $1.0 million. The Company estimates that the deferred net gains at January 31, 2011 will be realized into earnings over the next 12 months as a result of transactions that are expected to occur over that period. The primary underlying transaction which will cause the amount in AOCI to affect cost of goods sold consists of the Company s sell through of inventory purchased in Swiss francs. The maximum length of time the Company hedges its exposure to the fluctuation in future cash flows for forecasted transactions is 24 months. For years ended January 31, 2011, 2010, 2009, the Company reclassified from AOCI to earnings $0.9 million in net gains, net of tax of $0.6 million, $1.5 million in net gains, net of tax of $0.9 million, and $2.4 million in net gains, net of tax of $1.6 million, respectively.

During fiscal 2011, 2010 and 2009, the Company recorded no charge 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 the cost of sales of the Consolidated Statements of Operations.

The balance of the net loss included in the cumulative foreign currency translation adjustments associated with derivatives documented as net investment hedges was $1.5 million, net of a tax benefit of $0.9 million as of January 31, 2011, 2010, 2009. Under the accounting guidance related to accounting for derivative instruments and hedging activities, changes in fair value of these instruments are recognized in currency translation adjustment, a component of AOCI, to offset the change in the value of the net investment being hedged.

NOTE 6 - FAIR VALUE MEASUREMENTS

As of February 1, 2008, the Company adopted accounting guidance related to fair value measurements for financial assets and liabilities that are recognized or disclosed at fair value in the Company s consolidated financial statements and on February 1, 2009, the Company adopted fair value measurements for non-recurring financial assets and liabilities. The adoption did not have a material effect on the Company s consolidated financial statements. The guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about 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. The 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 requires the use of observable market data if such data is available without undue cost and effort. The Company s adoption of the guidance did not result in any changes to the accounting for its financial assets and liabilities. Therefore, the primary impact to the Company upon its adoption of this guidance was to expand its fair value measurement disclosures.

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, 2011 (in thousands):

	Fair Value at January 31, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Available-for-sale securities	$ 285	$ -	$ -	$ 285
SERP assets - employer	249	-	-	249
SERP assets - employee	14,729	-	-	14,729
Hedge derivatives	-	1,123		1,123
Total	$ 15,263	$ 1,123	$ -	$ 16,386
Liabilities:				
SERP liabilities - employee	$ 14,729	$ -	$ -	$ 14,729
Total	$ 14,729	$ -	$ -	$ 14,729

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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.

NOTE 7 - INCOME TAXES

The provision for income taxes for continuing operations for the fiscal years ended January 31, 2011, 2010 and 2009 consists of the following components (in thousands):

	2011	2010	2009
Current:			
U.S. Federal	$ 374	$ (7,941)	$ (7,891)
U.S. State and Local	98	59	249
Non-U.S.	2,697	2,412	4,001
	3,169	(5,470)	(3,641)
Noncurrent:			
U.S. Federal	565	369	450
Non-U.S.	-	(326)	-
	565	43	450
Deferred:			
U.S. Federal	-	19,012	10,392
U.S. State and Local	-	2,374	638
Non-U.S.	5,058	(2,406)	(753)
	5,058	18,980	10,277
Provision for income taxes	$ 8,792	$ 13,553	$ 7,086

Loss before taxes for continuing U.S. operations was ($0.3 million), ($24.0 million), and ($11.8 million) for periods ended January 31, 2011, 2010 and 2009, respectively. (Loss) / income before taxes for non-U.S. operations was ($11.4 million), ($2.0 million), and $32.3 million for periods ended January 31, 2011, 2010 and 2009, respectively.

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Significant components of the Company s deferred income tax assets and liabilities as of January 31, 2011 and 2010 are as follows (in thousands):

	2011 Deferred Taxes		2010 Deferred Taxes	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Net operating loss carryforwards	$ 22,093	$ -	$ 15,177	$ -
Inventory	7,625	-	5,194	-
Unprocessed returns	1,082	-	1,006	-
Receivables allowance	1,251	411	1,714	554
Deferred compensation	9,282	-	10,415	-
Foreign tax credits	8,128	-	5,336	-
Unrepatriated earnings	-	471	-	2,076
Hedge derivatives	-	319	-	260
Depreciation/amortization	7,447	2,815	9,858	2,942
Other	1,761	-	1,810	-
	58,669	4,016	50,510	5,832
Valuation allowance	(46,929)	-	(33,843)	-
Total deferred tax assets and liabilities	$ 11,740	$ 4,016	$ 16,667	$ 5,832

As of January 31, 2011, the Company had total foreign net operating loss carryforwards of approximately $76.9 million, which are available to offset taxable income in future years. $52.9 million of these carryforwards were incurred in Switzerland. In the fourth quarter of fiscal 2011, the Company determined it was appropriate to establish a valuation allowance of $11.5 million on the related deferred tax assets as the expectation of future income is not sufficient to overcome the negative evidence of losses in recent years. However, the Company believes it may ultimately utilize the tax losses before the expiry periods of fiscal 2016 through fiscal 2018.

The remaining foreign tax losses of $24.0 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 the losses attributable to Japan due to the Company s assessment that it is more-likely-than-not the deferred tax assets will not be utilized within the 7 year expiry period. The Company s subsidiaries located in Germany and the United Kingdom remain in cumulative loss positions and the Company continues to maintain full valuation allowances on the deferred tax assets despite no time limitation for utilization of the losses.

As of January 31, 2011, the Company had no U.S. federal net operating loss carryforwards. Due to a change in tax law allowing an elective 5 year carryback period, the entire net operating loss from fiscal 2009 and most of the net operating loss from fiscal 2010 were carried back for a full cash refund; the remaining fiscal 2010 net operating loss was carried forward and is expected to be fully utilized in the fiscal 2011 filing. 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. Cumulative tax benefits totaling $0.8 million will be recorded in additional paid-in-capital when the foreign tax credit carryforward is utilized and the windfall tax benefit can be realized. The Company also has an estimated apportioned $60 million in U.S. state net operating loss carryforwards. A full 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 losses will not be utilized within expiration periods ranging from 1 to 20 years.

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At January 31, 2011, the Company s net U.S. deferred tax assets amounted to $27.9 million, against which a valuation allowance of $27.0 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. Expectation of future income is not sufficient to overcome such negative evidence, and although the Company believes it may 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, and during fiscal 2010 and fiscal 2011 has not recognized any tax benefit on the net increase in deductible temporary differences.

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,		
	2011	**2010**	**2009**
Provision for income taxes at the U.S. statutory rate	$ (12,412)	$ (14,297)	$ 7,164
Lower effective foreign income tax rate	(439)	(2,175)	(5,458)
Change in valuation allowance	12,858	35,913	(2,611)
Tax provided on earnings of foreign subsidiaries	7,945	2,127	7,388
Change in liabilities for uncertain tax positions, net	565	369	450
State and local taxes, net of federal benefit	226	(836)	800
Change in U.S. tax law for tax loss carryback	-	(7,956)	-
Change in investment	-	-	(785)
Other, net	49	408	138
Total provision for income taxes	$ 8,792	$ 13,553	$ 7,086

A provision of approximately $2.6 million has been made for federal income tax, net of foreign tax credits, on the remittance of approximately $11.2 million current year net earnings of the Company s Hong Kong subsidiary. In addition, a net federal provision of approximately $5.2 million has been made on the remittance of approximately $18.4 million current and prior year net earnings of one of the Company s Swiss subsidiaries. During fiscal 2011, approximately $36.4 million cash was repatriated, the incremental taxes for which were included in the aforementioned provision and in the fiscal 2010 provision. No provision has been made for federal income or withholding taxes which may be payable on the remittance of the remaining undistributed retained earnings of foreign subsidiaries approximating $116.0 million at January 31, 2011, 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.

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The effective tax rate for continuing operations for fiscal 2011 was -74.6%, 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, 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 continuing operations for fiscal 2010 was -52.3%, primarily as a result of the establishment of a full valuation allowance against net U.S. deferred tax assets, partially offset by the recording of a tax benefit 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. The effective tax rate for continuing operations for fiscal 2009 was 34.6%, primarily as a result of the tax accrued on the future repatriation of foreign earnings.

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. As of January 31, 2011, the IRS had completed its examination and on February 2, 2011 the Company received a draft of the auditor s report that will be presented to the JCT. The draft report contains no material net adjustments.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits (exclusive of interest) for January 31, 2011 and 2010 are as follows (in thousands):

	2011	2010	2009
Beginning balance	$ 4,583	$ 5,419	$ 10,089
Additions for tax positions of prior years	428	143	184
Lapse of statute of limitations	(176)	(326)	(6)
Decreases for tax positions of prior years	-	(672)	(65)
Cash settlements	-	-	(4,761)
F/X fluctuations	-	19	(22)
Ending balance	$ 4,835	$ 4,583	$ 5,419

Included in the balances at January 31, 2011 and January 31, 2010 are $3.1 million and $2.7 million, respectively, 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, 2011 and January 31, 2010, the Company had $1.3 million and $1.1 million of accrued interest (net of tax benefit) related to unrecognized tax benefits. During fiscal years 2011 and 2010, the Company accrued $0.2 million and $0.1 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, 2007. In the United States, the Company s income tax returns for the fiscal years ended January 31, 2004 through January 31, 2008 will remain open until the fiscal 2009 and fiscal 2010 income tax returns are no longer subject to examination, or October 2012 and October 2013 respectively, as a result of the loss carrybacks to those years. However, since fiscal years January 31, 2004 through January 31, 2006 have already been examined and effectively closed by the IRS, the Company has no expectation of further adjustments for those years.

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NOTE 8 - OTHER ASSETS AND LIABILITIES

In fiscal 1996, the Company entered into an agreement with a trust which owned an insurance policy issued on the lives of the Company s former Chairman, Mr. Gedalio Grinberg (Mr. Grinberg), and his spouse (Mrs. Grinberg). Under this agreement, the trust assigned the insurance policy to the Company as collateral to secure repayment by the trust of interest-free loans made by the Company to the trust in amounts equal to the premiums on said insurance policy (approximately $0.7 million per annum). The agreement required the trust to repay the loans from the proceeds of the policy. At January 31, 2003, the Company had outstanding loans from the trust of $5.2 million. On April 4, 2003, the agreement was amended and restated to transfer the policy from the trust to the Company in partial repayment of the loan balance. The Company is the beneficiary of the policy insofar as upon the death of Mr. Grinberg and Mrs. Grinberg, the proceeds of the policy would first be distributed to the Company to repay the premiums paid by the Company with the remaining proceeds distributed to the trust. On January 5, 2009, the Company announced the passing of Mr. Grinberg. During fiscal 2010, the Company borrowed approximately $11.0 million against the cash surrender value of this insurance policy. On August 9, 2010, Mrs. Grinberg passed away. As of this date, the Company had a balance of $5.0 million in Other Current Assets, consisting of $11.1 million of premiums paid on the policy, net of the outstanding loan balance of $6.1 million. The Company received approximately $4.8 million in the third quarter of fiscal 2011, which represented the net balance due from the trust and accrued interest owed as of August 9, 2010.

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 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 June 2021. 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 $11.9 million, $11.5 million and $11.2 million in fiscal 2011, 2010 and 2009, respectively.

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Minimum annual rentals under noncancelable operating leases as of January 31, 2011, which do not include real estate taxes and operating costs, are as follows (in thousands):

Fiscal Year Ended January 31,	
2012	$ 10,317
2013	7,987
2014	5,796
2015	4,540
2016	4,498
Thereafter	11,709
	$ 44,847

NOTE 10 COMMITMENTS AND CONTINGENCIES

At January 31, 2011, the Company had outstanding letters of credit totaling $0.7 million with expiration dates through March 10, 2013 compared to $0.9 million with expiration dates through June 30, 2010 as of January 31, 2010. One bank in the domestic bank group has issued irrevocable standby letters of credit for retail and operating facility leases to various landlords, for the administration of the Movado boutique private-label credit card and for Canadian payroll to the Royal Bank of Canada.

As of January 31, 2011, two European banks have guaranteed obligations to third parties on behalf of two of the Company s foreign subsidiaries in the amount of $1.8 million in various foreign currencies compared to $1.6 million as of January 31, 2010.

Pursuant to the Company s agreements with its licensors, the Company is required to pay minimum royalties and advertising. As of January 31, 2011, the Company s minimum commitments related to its license agreements was $80.3 million.

The Company had outstanding purchase obligations of $87.6 million with suppliers at the end of fiscal 2011 primarily 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.

The Company is involved from time to time in legal claims involving trademarks and intellectual property, licensing, employee relations and other matters incidental to the Company s business. Although the outcome of such items 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

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Plan was amended in fiscal 1997 and restated as the Movado Group, Inc. 1996 Stock Incentive Plan (the Plan). Under the Plan, as amended and restated as of April 8, 2004, the Compensation Committee of the Board of Directors, which consists of four of the Company s outside directors, has the authority to grant incentive stock options and nonqualified stock options to purchase, as well as stock appreciation rights and stock awards, up to 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.

On February 1, 2006, the Company adopted guidance related to share based payments, electing to use the modified prospective application transition method, and accordingly, prior period financial statements have not been restated. Under this method, the fair value of all stock options granted after adoption and the unvested portion of previously granted awards must be recognized in the Consolidated Statements of Income. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of each option at the grant date which requires certain assumptions be made. The expected life of stock option grants is determined using historical data and represents the time period which the stock option is expected to be outstanding until it is exercised. The risk free interest rate is the yield on the grant date of U.S. Treasury constant maturities with a maturity date closest to the expected life of the stock option. The expected stock price volatility is derived from historical volatility and calculated based on the estimated term structure of the stock option grant. The expected dividend yield is calculated using the expected annualized dividend which remains constant during the expected term of the option.

The weighted-average assumptions used with the Black-Scholes option-pricing model for the calculation of the fair value of stock option grants during 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. There were no stock option grants during fiscal 2010.

Total compensation expense for unvested stock option grants recognized during the fiscal years ended January 31, 2011 and 2010 was approximately $0.3 million, net of a tax benefit of $0.1 million and $0.5 million, net of a tax benefit of $0.3 million, respectively. Expense related to stock option compensation is recognized on a straight-line basis over the vesting term. As of January 31, 2011, there was approximately $0.1 million of unrecognized compensation cost related to unvested stock options. These costs are expected to be recognized over a weighted-average period of 1.0 year. Total cash received for stock option exercises during the fiscal year ended January 31, 2011 amounted to approximately $0.9 million. Windfall tax benefits realized on these exercises were approximately $0.3 million, which these benefits will not be fully recognized in the financial statements until fully realized through a reduction of income taxes payable.

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Transactions for stock options under the Plan since fiscal 2008 are summarized as follows:

	Outstanding Options	Weighted-Average Exercise Price
January 31, 2008	2,653,455	$ 14.63
Options granted	109,250	$ 21.78
Options exercised	(229,307)	$ 11.97
Options cancelled	(85,832)	$ 12.45
January 31, 2009	2,447,566	$ 15.27
Options exercised	(465,434)	$ 10.07
Options cancelled	(67,917)	$ 15.34
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

The total intrinsic value of stock options exercised for the fiscal years ended January 31, 2011 and 2010 was approximately $1.5 million and $1.7 million, respectively. The total fair value of the stock options vested for the fiscal years ended January 31, 2011 and 2010 was approximately $0.6 million and $2.2 million, respectively.

The following table summarizes outstanding and exercisable stock options as of January 31, 2011:

Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$6.02 - $9.01	6,600	0.5	$ 7.92	6,600	$ 7.92
$9.02 - $12.01	59,481	1.3	$ 9.83	59,481	$ 9.83
$12.02 - $15.01	220,685	2.8	$ 13.65	210,685	$ 13.66
$15.02 - $18.01	88,655	3.2	$ 17.11	88,655	$ 17.11
$18.02 - $21.01	555,092	2.3	$ 18.47	554,090	$ 18.47
$21.02 - $24.01	108,750	7.2	$ 22.27	76,080	$ 22.33
$24.02 - $27.01	15,000	5.8	$ 25.53	15,000	$ 25.53
$27.02 - +	74,000	6.2	$ 32.92	74,000	$ 32.92
	1,128,263	3.2	$ 18.42	1,084,591	$ 18.24

The total intrinsic value of outstanding stock options for the fiscal years ended January 31, 2011 and 2010 was approximately $0.5 million and $0.7 million, respectively. The total intrinsic value of exercisable stock options for the fiscal years ended January 31, 2011 and 2010 was approximately $0.5 million and $0.7 million, respectively.

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.

On May 31, 2006, the Compensation Committee of the Board of Directors adopted the Executive Long Term Incentive Plan (the LTIP) authorized by section 9 of the Plan. The LTIP provides for the award of Performance Share Units that are equivalent, one for one, to shares of the Company s common stock and that vest based on the Company s achievement of its operating margin goal for a target fiscal year. The number of actual shares earned by a participant is based on the Company s actual performance at the end of the award period and can range from 0% to 150% of the participant s target award. Total target awards of 176,200 and 229,950 Performance Share Units were granted by the Compensation Committee on April 30, 2008 and June 18, 2009, respectively, that vest over three and five year periods. There were no performance shares issued during the fiscal year ended January 31, 2011.

During fiscal 2009 and 2010, as a result of the Company s performance, it became apparent that the performance goals for certain LTIP grants would not be achieved. This resulted in the reversal of previously accrued stock-based compensation expenses of approximately $3.2 million and $0.7 million, respectively. For the fiscal year ended January 31, 2011, compensation expense for restricted stock was approximately $0.7 million, net of a tax benefit of $0.4 million. Total compensation expense for restricted stock grants and for grants of Performance Share Units under the LTIP (together restricted stock) recognized during the fiscal year ended January 31, 2010, including the reversal of the aforementioned LTIP grants, was a benefit of approximately $0.1 million. Prior to February 1, 2006, compensation expense for restricted stock grants was reduced as actual forfeitures of the awards occurred. 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, 2011, there was approximately $1.7 million of unrecognized compensation cost related to unvested restricted stock. These costs are expected to be recognized over a weighted-average period of 2.5 years.

Transactions for restricted stock under the Plan since fiscal 2008 are summarized as follows:

	Number of Restricted Stock Units	Weighted-Average Grant Date Fair Value
January 31, 2008	496,730	$ 23.12
Units granted	220,521	$ 21.69
Units vested	(95,226)	$ 18.74
Units forfeited	(55,571)	$ 25.20
January 31, 2009	566,454	$ 23.09
Units granted	254,550	$ 11.03
Units vested	(51,101)	$ 22.51
Units forfeited	(210,309)	$ 20.08
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

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Restricted stock units are exercised simultaneously when they vest and are issued from the pool of authorized shares. The total intrinsic value of restricted stock units that vested during the fiscal years ended January 31, 2011 and 2010 was approximately $0.7 million and $0.5 million, respectively. The windfall tax realized on the vested restricted stock grants for fiscal year ended January 31, 2011 was $0.1 million. The weighted-average grant date fair values for restricted stock grants for the years ended January 31, 2011 and 2010 were $12.81 and $11.03, respectively. Outstanding restricted stock units had a total intrinsic value of approximately $3.5 million and $6.1 million for fiscal years ended January 31, 2011 and 2010.

NOTE 12 OTHER EMPLOYEE BENEFITS 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 $2.6 million, $3.1 million and $2.8 million in fiscal 2011, 2010 and 2009, respectively.

Effective June 1, 1995, the Company adopted 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 2011, 2010 and 2009, the Company recorded an expense related to the SERP of $0.4 million, $0.3 million and $0.8 million, respectively.

NOTE 13 COMPREHENSIVE (LOSS)

The components of comprehensive (loss) for the twelve months ended January 31, 2011, 2010 and 2009 are as follows (in thousands):

	Fiscal Year Ended January 31,		
	2011	**2010**	**2009**
Net (loss) / income	$ (44,255)	$ (54,401)	$ 2,552
Net unrealized gain / (loss) on investments, net of tax	97	52	(190)
Net change in effective portion of hedging contracts, net of tax	73	(1,696)	(2,266)
Foreign currency translation adjustment (1)	25,431	25,147	(19,692)
Comprehensive (loss)	(18,654)	(30,898)	(19,596)
Less: Comprehensive income / (loss) attributable to noncontrolling interests	628	378	(204)
Total comprehensive (loss) attributable to Movado Group, Inc.	$ (19,282)	$ (31,276)	$ (19,392)

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

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

	Fiscal Year Ended January 31,	
	2011	2010
Net unrealized gain on investments, net of tax	$ 116	$ 18
Net unrealized (loss) on hedging contracts, net of tax	(138)	(211)
Cumulative foreign currency translation adjustment	93,050	67,583
Accumulated other comprehensive income attributed to Movado Group, Inc.	$ 93,028	$ 67,390

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 primarily 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.

The Company divides its business into two major geographic segments: 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, Asia, Canada, the Middle East, South America and the Caribbean. The Company s international assets are substantially located in Switzerland.

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

	Net Sales			Operating (Loss) /Income (1) (2) (3) (4) (5) (6)		
	2011	2010	2009	2011	2010	2009
Wholesale	$ 329,137	$ 294,940	$ 371,349	$ (18,561)	$ (32,830)	$ 8,702
Retail	53,053	54,765	54,546	8,701	11,315	11,868
Consolidated total	$ 382,190	$ 349,705	$ 425,895	$ (9,860)	$ (21,515)	$ 20,570

	Total Assets		Capital Expenditures		
	2011	2010	2011	2010	2009
Wholesale	$ 421,435	$ 435,432	$ 5,743	$ 4,867	$ 20,051
Retail	20,673	33,945	1,560	34	2,347
Consolidated total	$ 442,108	$ 469,377	$ 7,303	$ 4,901	$ 22,398

	Depreciation and Amortization		
	2011	2010	2009
Wholesale	$ 12,398	$ 14,017	$ 12,047
Retail	1,307	1,411	1,352
Consolidated total	$ 13,705	$ 15,428	$ 13,399

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

	Net Sales (7)			Operating (Loss) Income (1) (2) (3) (4) (5) (6)		
	2011	2010	2009	2011	2010	2009
United States	$ 200,043	$ 194,250	$ 220,375	$ 427	$ (23,346)	$ (14,084)
International	182,147	155,455	205,520	(10,287)	1,831	34,654
Consolidated total	$ 382,190	$ 349,705	$ 425,895	$ (9,860)	$ (21,515)	$ 20,570

	Total Assets		Long-Lived Assets	
	2011	2010	2011	2010
United States	$ 183,969	$ 204,836	$ 30,460	$ 36,000
International	258,139	264,541	8,065	11,394
Consolidated total	$ 442,108	$ 469,377	$ 38,525	$ 47,394

(1) Fiscal 2011 Wholesale Operating (Loss) Income 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 $19.4 million was recorded in the

International segment.

(2) Fiscal 2010 Wholesale and International Operating (Loss) Income includes a non-cash charge of $8.8 million primarily for excess non-core component inventory.

(3) Fiscal 2011 Wholesale Operating (Loss) Income 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 segment.

(4) Fiscal 2010 Wholesale and International Operating (Loss) Income includes non-cash charges of $2.5 million primarily for write-downs of certain assets related to trade booths for the Basel Fair.

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

(6) Fiscal 2009 Wholesale Operating Income included an $11.1 million charge related to the Company s cost savings initiatives and a restructuring of certain benefit arrangements, of which $7.4 million was recorded in the United States and $3.7 million was recorded in the International segment.

(7) The United States and International net sales are net of intercompany sales of $190.9 million, $196.9 million and $253.3 million for the twelve months ended January 31, 2011, 2010 and 2009, 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 2011 and 2010 (in thousands, except per share amounts):

	Quarter			
	1st	2nd	3rd	4th
Fiscal 2011				
Net sales	$ 72,805	$ 85,388	$ 123,002	$ 100,995
Gross profit	$ 40,187	$ 45,565	$ 68,596	$ 30,891
(Loss) / income from continuing operations, net of tax	$ (4,739)	$ (2,051)	$ 16,851	$ (31,306)
(Loss) from discontinuing operations, net of tax	$ (5,972)	$ (17,703)	-	-
Net (loss) / income attributed to Movado Group, Inc.	$ (10,711)	$ (19,754)	$ 16,851	$ (31,306)
Basic (loss) / income per share:				
(Loss) / income from continuing operations, net of tax	$ (0.19)	$ (0.08)	$ 0.68	$ (1.26)
(Loss) from discontinuing operations, net of tax	$ (0.24)	$ (0.72)	$ -	$ -
Net (loss) / income attributed to Movado Group, Inc.	$ (0.43)	$ (0.80)	$ 0.68	$ (1.26)
Diluted (loss) / income per share:				
(Loss) / income from continuing operations, net of tax	$ (0.19)	$ (0.08)	$ 0.68	$ (1.26)
(Loss) from discontinuing operations, net of tax	$ (0.24)	$ (0.72)	$ -	$ -
Net (loss) / income attributed to Movado Group, Inc.	$ (0.43)	$ (0.80)	$ 0.68	$ (1.26)
Fiscal 2010				
Net sales	$ 61,173	$ 83,013	$ 123,443	$ 82,076
Gross profit	$ 31,798	$ 47,407	$ 56,669	$ 29,788
(Loss) / income from continuing operations, net of tax	$ (6,930)	$ 1,476	$ (19,379)	$ (14,883)
(Loss) from discontinuing operations, net of tax	$ (3,034)	$ (1,709)	$ (1,491)	$ (8,675)
Net (loss) attributed to Movado Group, Inc.	$ (9,964)	$ (233)	$ (20,870)	$ (23,558)
Basic (loss) / income per share:				
(Loss) / income from continuing operations, net of tax	$ (0.28)	$ 0.06	$ (0.79)	$ (0.60)
(Loss) from discontinuing operations, net of tax	$ (0.12)	$ (0.07)	$ (0.06)	$ (0.35)
Net (loss) attributed to Movado Group, Inc.	$ (0.41)	$ (0.01)	$ (0.85)	$ (0.96)
Diluted (loss) / income per share:				
(Loss) / income from continuing operations, net of tax	$ (0.28)	$ 0.06	$ (0.79)	$ (0.60)
(Loss) from discontinuing operations, net of tax	$ (0.12)	$ (0.07)	$ (0.06)	$ (0.35)
Net (loss) attributed to Movado Group, Inc.	$ (0.41)	$ (0.01)	$ (0.85)	$ (0.96)

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.

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During the first and second quarters of fiscal 2010, the Company had accounted for certain items within inventory and cost of sales which resulted in an overstatement of gross margin by $1.3 million and $1.0 million for the three months ended April 30, 2009 and July 31, 2009, respectively. Accordingly, the quarterly financial data contained above has been adjusted to reflect these revisions.

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,		
	2011	**2010**	**2009**
Cash (received) / paid during the year for:			
Interest (1)	$ 1,388	$ 3,981	$ 2,434
Income taxes (received) / paid (2)	$ (7,129)	$ (4,473)	$ 13,042

(1) Fiscal 2010 interest includes expenses and fees associated with the refinancing and repayment of the Company s former credit and note agreements which included a pre-tax charge of $1.1 million.

(2) Fiscal 2011 and 2010 income taxes (received) / paid, includes a payment of $3.5 million and $3.1 million for taxes paid, respectively.

NOTE 17 OTHER INCOME, NET

The components of other income, net for fiscal 2009 are as follows (in thousands):

	Fiscal Year Ended January 31, 2009
Gain on proceeds from insurance premiums (a)	$ 681
Other income, net	$ 681

(a) The Company recorded a pre-tax gain for the fiscal year ended January 31, 2009 of $0.7 million on the collection of life insurance proceeds from policies covering the Company s former Chairman.

NOTE 18 TREASURY STOCK

On April 15, 2008, the Board of Directors authorized a program to repurchase up to one million shares of the Company s common stock. Under this authorization, the Company has the option to repurchase shares over time, with the amount and timing of repurchases depending on market conditions and corporate needs. The Company entered into a Rule 10b5-1 plan to facilitate repurchases of its shares under this authorization. A Rule 10b5-1 plan permits a company to repurchase shares at times when it might otherwise be prevented from doing so, provided the plan is adopted when the company is not aware of material non-public information. The Company may suspend or discontinue the repurchase of stock at any time. Under this share repurchase program, as of January 31, 2009, 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 per share. During the twelve months ended January 31, 2011, the Company did not repurchase shares of common stock except for 572,328 shares as a result of the surrender of shares in connection with the vesting of certain stock awards and the exercise of certain stock options. At the election of an employee, upon the vesting of a

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stock award or the exercise of a stock option, shares having an aggregate value on the vesting or exercise date, 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.

NOTE 19 DISCONTINUED OPERATIONS

The Company closed its Movado boutique division effective 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.

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

	Twelve Months Ended January 31, 2011			Twelve Months Ended January 31, 2010		
(In thousands)	**Net Sales**	**Pretax Loss**	**Net Loss**	**Net Sales**	**Pretax Loss**	**Net Loss**
Movado Boutiques	$ 14,252	$ 23,675	$ 23,675	$ 28,691	$ 14,909	$ 14,909

	Twelve Months Ended January 31, 2009		
(In thousands)	**Net Sales**	**Pretax Loss**	**Net Loss**
Movado Boutiques	$ 34,962	$ 17,180	$ 10,830

For the twelve months ended January 31, 2011 and 2010, the Company had no tax provision for its discontinued operations. For the twelve months ended January 31, 2009, the Company recorded a tax benefit of $6.4 million related to discontinued operations. The effective tax rate for the twelve months ended January 31, 2009 was 37.0%.

As a result of the Movado boutiques closing, the Company recorded $20.0 million of expenses primarily for occupancy charges, asset impairments, inventory write-downs and severance. The Company expects that the majority of the remaining liabilities will be paid during fiscal 2012.

A summary rollforward of costs related to the closing of the Movado boutiques is as follows (in thousands):

	Fiscal 2011 charges	Cash payments	Non-cash adjustments	Accrued balance at January 31, 2011
Occupancy charges (1)	$ 12,915	$ (13,463)	$ 1,284	$ 736
Asset impairments	3,432	-	(3,432)	-
Inventory write-downs	1,892	-	(1,892)	-
Severance	1,756	(1,730)	-	26
Total	$ 19,995	$ (15,193)	$ (4,040)	$ 762

(1) Occupancy charges include expenses for lease buyouts, moving and legal expenses and reductions for the reversal of deferred rent accruals.

NOTE 20 SUBSEQUENT EVENTS

On April 5, 2011, the Company amended its bank agreement with Bank of America and Bank Leumi to modify certain covenants related to the payment of dividends and to reflect more favorable current market rate conditions. As a result of Movado Group s strong financial position, the Company s Board of Directors decided to reinstate a quarterly cash dividend subject, in each quarter, to the Board s review of the Company s financial performance and other factors as determined by the Board. In addition, effective April 7, 2011 the Board of Directors approved the payment on April 29, 2011 of a cash dividend in the amount of $0.03 for each 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 18, 2011. The Company anticipates a total annualized dividend of $0.12 per share of common stock and class A common stock, or approximately $3 million based on the current number of outstanding shares. 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.

See Note 4 to the Company s Consolidated Financial Statements for further information regarding the debt and lines of credit agreements.

Schedule II

MOVADO GROUP, INC.

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(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, 2011:					
Doubtful accounts, returns and allowances	$ 20,240	$ 21,386	$ 370	$ (25,976)	$ 16,020
Year ended January 31, 2010:					
Doubtful accounts, returns and allowances	$ 19,598	$ 27,980	$ 436	$ (27,774)	$ 20,240
Year ended January 31, 2009:					
Doubtful accounts, returns and allowances (1)	$ 36,348	$ 35,628	$ (456)	$ (51,922)	$ 19,598

(1) The net write-offs in fiscal 2009 and net provision charged to operations in fiscal 2008 include a non-cash charge of $11.0 million, related to the closing of certain wholesale customer doors in the U.S.

Description	Balance at beginning of year	Net provision / (benefit) to operations	Currency revaluation	Adjustment	Balance at end of year
Year ended January 31, 2011:					
Deferred tax asset valuation (2)	$ 33,843	$ 13,020	$ 262	$ (196)	$ 46,929
Year ended January 31, 2010:					
Deferred tax asset valuation (3)	$ 7,641	$ 28,529	$ 544	$ (2,871)	$ 33,843
Year ended January 31, 2009:					
Deferred tax asset valuation (4)	$ 10,689	$ (2,625)	$ (588)	$ 165	$ 7,641

(2) The detail of adjustments is as follows:		(3) The detail of adjustments is as follows:	
Ebel NOL s expired	$ (207)	Ebel NOL s expired	$ (2,639)
Prior year adjustments and tax rate changes	(542)	Prior year adjustments and tax rate changes	(683)
OCI Adjustments	553	OCI Adjustments	451
	$ (196)		$ (2,871)

(4) The detail of adjustments is as follows:	
Prior year adjustments	$ 164
Statutory tax rate changes	1
	$ 165