SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

AMENDMENT NO. 1 TO CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): March 1, 2004

MOVADO GROUP, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

NEW YORK	0-22378	13-2595932
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)

650 FROM ROAD PARAMUS, NEW JERSEY	07652
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (201) 267-8000

NOT APPLICABLE

(Former name or former address, if changed since last report)

This Amendment No. 1 amends the Current Report on Form 8-K of Movado Group, Inc. ("Movado") filed with the Securities and Exchange Commission on March 15, 2004 in connection with the consummation on March 1, 2004 of Movado's acquisition from LVMH Moet Hennesy Louis Vuitton of the Ebel business ("Ebel"), except for Ebel in Germany which Movado currently expects to complete on or about June 15, 2004. The audited combined financial statements of Ebel provided under Item 7(a) below and the pro forma financial information provided under Item 7(b) below include Ebel in Germany.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) Financial statements of business acquired.

The audited combined financial statements as of December 31, 2003, 2002 and 2001 and for each of the three years in the period ended December 31, 2003 of Ebel, including the notes thereto and the report of independent auditors.

(b) Pro forma financial information.

Pro forma financial information of Movado and Ebel as follows: (i) unaudited pro forma combined balance sheet for Movado and Ebel at January 31, 2004; (ii) unaudited pro forma combined statement of operations of Movado and Ebel for the year ended January 31, 2004; and (iii) notes to such unaudited pro forma combined financial information.

(c) Exhibits:

Exhibit No.	Description
2.1	Share Purchase and Transfer of Assets and Liabilities Agreement, dated December 22, 2003 (incorporated by reference to Exhibit 2.1 to Movado's Current Report on Form 8-K filed on March 15, 2004 (File No. 0-22378))
2.2	Amendment, dated March 1, 2004 (incorporated by reference to Exhibit 2.2 to Movado's Current Report on Form 8-K filed on March 15, 2004 (File No. 0-22378))
23.1	Consent of Ernst & Young Ltd.
99.1	Press Release, dated March 1, 2004 (incorporated by reference to Exhibit 99.1 to Movado's Current Report on Form 8-K filed on March 15, 2004 (File No. 0-22378))
99.2	The audited combined financial statements as of December 31, 2003, 2002 and 2001 and for each of the three years in the period ended December 31, 2003 of Ebel, including the notes thereto and the report of independent auditors.
99.3	Pro forma financial information of Movado and Ebel as follows: (i) unaudited pro forma combined balance sheet for Movado and Ebel at January 31,

2004; (ii) unaudited pro forma combined statement of operations of Movado and Ebel for the year ended January 31, 2004; and (iii) notes to such unaudited pro forma combined financial information.

SIGNATURES

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

MOVADO GROUP, INC.

Date: May 17, 2004

By: /s/ Timothy F. Michno

Name: Timothy F. Michno
Title: General Counsel and Secretary

EXHIBIT INDEX

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99.3	Pro forma financial information of Movado and Ebel as follows: (i) unaudited pro forma combined balance sheet for Movado and Ebel at January 31, 2004; (ii) unaudited pro forma combined statement of operations of Movado and Ebel for the year ended January 31, 2004; and (iii) notes to such unaudited pro forma combined financial information.

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33390004, 33313927 and 33380789) of Movado Group, Inc., of our report dated May 14, 2004, with respect to the financial statements as of December 31, 2003, 2002 and 2001 and for each of the three years in the period ended December 31, 2003 of Ebel, including the notes thereto, included in the Current Report on Form 8-K/A of Movado Group, Inc. dated May 17, 2004.

May 14, 2004

/s/ Ernst & Young Ltd.

EXHIBIT 99.2

EBEL BUSINESS
Combined financial statements
for the years ended December 31, 2003, 2002 and 2001

THESE COMBINED FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHIN THE FRAME OF THE SHARE PURCHASE AND TRANSFER OF ASSETS AND LIABILITIES AGREEMENT, DATED DECEMBER 22, 2003, AS AMENDED BY THE AMENDMENT DATED MARCH 1, 2004 (HEREINAFTER THE AGREEMENT) BETWEEN SOFIDIV SAS (BOULOGNE-BILLANCOURT, FRANCE), A SUBSIDIARY OF LVMH MOET HENNESSY - LOUIS VUITTON (PARIS, FRANCE) AND CONCORD WATCH COMPANY SA (BIENNE, SWITZERLAND), A SUBSIDIARY OF MOVADO GROUP, INC. (NEW JERSEY, USA). THE AGREEMENT RELATES TO THE TRANSFER OF EBEL BUSINESS FROM LVMH TO MOVADO.

[EBEL LOGO OMITTED]

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REPORT OF INDEPENDENT AUDITORS

To the President
Sofidiv SAS

We have audited the accompanying combined balance sheets of the Ebel Business, as defined in Note 2. BASIS OF PRESENTATION, as of December 31, 2003, 2002 and 2001 and the related combined statements of operations, changes in combined net worth, and combined cash flows, for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the management of Sofidiv SAS, a subsidiary of LVMH Moet Hennessy Louis Vuitton. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Combined Financial Statements referred to above present fairly, in all material respects, the combined financial position of Ebel Business at December 31, 2003, 2002 and 2001 and the combined results of its operations and its combined cash flows for each of the three years in the period ended December 31, 2003, in conformity with generally accepted accounting principles in France.

Accounting practices generally accepted in France vary in certain respects with accounting principles generally accepted in the United States of America. Information related to the nature and effect of such differences is presented in Note 26 to the combined financial statements.

Geneva, Switzerland, May 14, 2004

/s/ Ernst & Young Ltd

COMBINED STATEMENTS OF OPERATIONS

(EUR THOUSANDS)	NOTES	2003	2002	2001
NET SALES	16	55,906	83,818	99,520
Cost of sales		(35,194)	(46,742)	(53,697)
GROSS MARGIN		20,712	37,076	45,823
Marketing and selling expenses		(29,751)	(37,967)	(40,092)
General and administrative expenses		(6,950)	(12,254)	(10,488)
INCOME - (LOSS) FROM OPERATIONS	16	(15,989)	(13,145)	(4,757)
Financial expense - net	17	(1,437)	(1,464)	(4,964)
Dividends from investments carried at cost	8	5	--	--
Other income or expenses - net	18	(120,997)	(1,001)	1,267
INCOME - (LOSS) BEFORE INCOME TAXES		(138,418)	(15,610)	(8,454)
Income taxes	19	163	(570)	475
NET INCOME - (LOSS)		(138,255)	(16,180)	(7,979)

COMBINED BALANCE SHEETS - ASSETS

(EUR THOUSANDS)	NOTES	2003	2002	2001
CURRENT ASSETS				
Cash and cash equivalents	4	5,047	4,243	13,988
Trade accounts receivable	5	18,341	23,169	31,236
Deferred income taxes - net		238	13	15
Inventories and work-in-progress - net	6	30,280	37,626	38,347
Prepaid expenses and other current assets	7	4,697	4,578	5,877
CURRENT ASSETS		58,603	69,629	89,463
NON-CURRENT ASSETS				
Investments carried at cost	8	78	83	81
Other non-current assets		89	-	-
Brands and other intangible assets - net	9	198	126,020	123,402
Property, plant and equipment - net	10	9,124	11,023	9,881
NON-CURRENT ASSETS		9,489	137,126	133,364
Assets		68,092	206,755	222,827

COMBINED BALANCE SHEETS - LIABILITIES & COMBINED NET WORTH

(EUR THOUSANDS)	NOTES	2003	2002	2001
CURRENT LIABILITIES				
Short-term borrowings	11	75,781	60,175	53,805
Accounts payable		6,797	12,152	14,856
Accrued expenses and other current liabilities	12	8,117	14,396	22,621
Income taxes		141	28	315
Current portion of long-term debt	13	45	48	47
CURRENT LIABILITIES		90,881	86,799	91,644
Non-current liabilities				
Long-term debt, less current portion	13	4,185	21,406	21,013
Other long-term liabilities	14	3,953	5,394	5,507
NON-CURRENT LIABILITIES		8,138	26,800	26,520
COMBINED NET WORTH				
Funds allocated by the owner	15	131,055	112,290	111,332
Cumulative translation adjustment	15	(1,066)	3,527	(188)
Retained earnings		(160,916)	(22,661)	(6,481)
COMBINED NET WORTH		(30,927)	93,156	104,663
Liabilities & combined net worth		68,092	206,755	222,827

CHANGES IN COMBINED NET WORTH

(EUR thousands)	FUNDS ALLOCATED BY THE OWNER	RETAINED EARNINGS	CUMULATIVE TRANSLATION ADJUSTMENT	COMBINED NET WORTH
AS OF JANUARY 1, 2001	25,789	1,498	310	27,597
Non-cash capital contribution to Ebel SA	81,769			81,769
Capital contribution to Ebel SA	2,712			2,712
Capital contribution to LVMH Watch & Jewelry Germany	2,025			2,025
Subsequent purchase price adjustments	(1,378)			(1,378)
Financing of Ebel activities (1)	415			415
Net income		(7,979)		(7,979)
Foreign currency translation			(498)	(498)
AS OF DECEMBER 31, 2001	111,332	(6,481)	(188)	104,663
Financing of Ebel activities (1)	958			958
Net income		(16,180)		(16,180)
Foreign currency translation			3,715	3,715
AS OF DECEMBER 31, 2002	112,290	(22,661)	3,527	93,156
Capital contribution to LVMH Watch & Jewelry Germany	4,000			4,000
Financing of Ebel activities (1)	14,765			14,765
Net income		(138,255)		(138,255)
Foreign currency translation			(4,593)	(4,593)
AS OF DECEMBER 31, 2003	131,055	(160,916)	(1,066)	(30,927)

(1) See Note 15. COMBINED NET WORTH

COMBINED STATEMENTS OF CASH FLOWS

(EUR THOUSANDS)	2003	2002	2001
I OPERATING ACTIVITIES			
Net income	(138,255)	(16,180)	(7,979)
Depreciation and amortization	1,707	1,996	1,699
Brand exceptionnal depreciation	120,078	--	--
Change in provisions & allowances	(842)	(13,128)	(7,102)
Change in deferred taxes	(307)	2	293
Gains on disposals of fixed assets	(13)	(440)	(1,337)
Others	(17)	-	(12)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES BEFORE CHANGES IN CURRENT ASSETS AND LIABILITIES	(17,649)	(27,750)	(14,438)
Inventories and work-in-progress	(1,091)	6,045	(13,784)
Trade accounts receivable	2,966	6,567	(3,123)
Accounts payable	(4,563)	(2,302)	(1,025)
Other current assets and liabilities	212	(240)	(2,103)
NET CHANGE IN CURRENT ASSETS AND LIABILITIES	(2,476)	10,070	(20,035)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	(20,125)	(17,680)	(34,473)
II INVESTING ACTIVITIES			
Purchases of brands and other intangible assets	(85)	(168)	(122)
Purchases of property, plant and equipment	(302)	(2,387)	(2,205)
Proceeds from sales of intangible & tangible assets	30	595	2,120
Net effect of acquisitions and disposals of consolidated companies	--	--	1,310
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(357)	(1,960)	1,103
III FINANCING ACTIVITIES			
Changes in funds allocated by the owner	18,765	958	5,152
Principal repayments on short-term borrowings and long-term debt	(46)	(48)	(385)
Changes in loans & borrowings to / from LVMH & its subsidiaries	-	(18,673)	13,554
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	18,719	(17,763)	18,321
IV EFFECT OF EXCHANGE RATE FLUCTUATIONS	3,219	990	136
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	1,456	(36,413)	(14,913)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (1)	(45,964)	(9,551)	5,362
CASH AND CASH EQUIVALENTS AT YEAR-END (1)	(44,508)	(45,964)	(9,551)

(1) The statement of cash flows shows the change in cash (net of bank overdrafts) and cash equivalents consisting of short-term investments that can be readily converted into cash. The reconciliation between cash and cash equivalents at year-end, as shown in the statement of cash flows, and the cash and cash equivalents account as shown in the balance sheet is shown in note 4.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Ebel, founded in 1911 in La Chaux-de-Fonds, Switzerland, is engaged in the development, production and sale of luxury watches. Its image is founded on the alliance of watch making expertise and elegant design found in the watches for men and women assembled in its shops.

Ebel was acquired in the last quarter of 1999 by Sofidiv SAS (Boulogne-Billancourt, France), a wholly-owned subsidiary of LVMH Moet Hennessy-Louis Vuitton, (Paris, France).

2. BASIS OF PRESENTATION

These combined financial statements have been prepared in the context of the share purchase and transfer of assets and liabilities agreement, dated December 22, 2003, as amended by the amendment dated March 1, 2004 (hereinafter the Agreement) between Sofidiv SAS and Concord Watch Company SA (Bienne, Switzerland), a wholly-owned subsidiary of Movado Group, Inc. (New Jersey, USA), which transferred Ebel to Movado.

These combined financial statements represent the combination of the following reporting entities included in the consolidated financial statements of LVMH: Ebel SA, a Swiss incorporated company, and its subsidiaries as well as the Ebel distribution operated through other LVMH's subsidiaries in some countries (United States of America, United Kingdom, Spain, France, Germany, Japan, Hong-Kong, Malaysia, Singapore, Taiwan, and Australia), this being referred to in this combined financial statements as EBEL BUSINESS.

As an integrated business of LVMH, Ebel does not prepare separate combined financial statements. Those combined financial statements of EBEL BUSINESS represent the contribution of EBEL BUSINESS to the consolidated financial statements of LVMH and include the specific assets, liabilities, revenues, expenses and cash-flows directly attributable to EBEL Business, as well as allocations of indirect expenses of certain distribution subsidiaries, to present the financial position, results of operations and cash-flows of EBEL BUSINESS. Purchase accounting entries related to the acquisition of EBEL BUSINESS by LVMH were pushed down in the combined financial statements.

Allocations of indirect expenses, such as information technology, human resources, rentals, accounting and logistics, were made based on sales of each of the brands distributed by those distribution legal entities.

The consequences of events resulting directly and indirectly from the Agreement and that occurred after the year-end are not reflected in those combined financial statements.

3. ACCOUNTING PRINCIPLES

3.1 GENERAL

The combined financial statements of Ebel Business have been prepared in accordance with French accounting principles as defined by the French law of January 3, 1985 and CRC (COMITE DE REGLEMENTATION COMPTABLE - French Accounting Regulations Committee) regulation No. 99-02, published on June 22, 1999 and applied for the preparation of LVMH financial statements.

3.2 TRANSLATION OF FINANCIAL STATEMENTS EXPRESSED IN FOREIGN CURRENCY, FOREIGN CURRENCY TRANSACTIONS AND HEDGING OF FOREIGN EXCHANGE RISKS

a) TRANSLATION OF FINANCIAL STATEMENTS EXPRESSED IN FOREIGN CURRENCY

The combined financial statements are reported in euros, the reporting currency of LVMH; the accounts of combined entities using a different functional currency are converted into euros:

- at the exchange rate prevailing at year-end for balance sheet items; and,
- at the average rates for the financial year for statement of income items.

Translation adjustments arising from the application of these rates are recorded in combined net worth under "Cumulative translation adjustment".

b) TRANSACTIONS EXPRESSED IN FOREIGN CURRENCY

Foreign currency transactions carried out by combined entities are converted to their functional currency at the exchange rate prevailing at the transaction date.

Trade receivables and debts denominated in foreign currency are converted at the exchange rate prevailing on December 31. The unrealized losses and gains resulting from this translation are recorded in the statement of operations.

Foreign exchange gains and losses arising from the translation of transactions between combined entities, or receivables and debts with combined entities denominated in foreign currency are recorded in the statement of operations.

c) HEDGING OF FOREIGN EXCHANGE RISKS

Foreign exchange futures and option contracts are revalued using the year-end exchange rates. Unrealized gains and losses resulting from such revaluations are:

- recorded in the statement of operations to offset the unrealized gains or losses on the assets or liabilities hedged by these instruments;
- deferred if the instruments have been designated as hedges of transactions for the following accounting period;
- recorded as income or losses for the period if they have not been designated as hedges.

Deferred unrealized gains and losses are included in "Other current assets" or "Other current liabilities".

Foreign exchange gains and losses arising from contracts hedging commercial risks are recorded as operating income or expenses to offset gains and losses recognized on such risks, except for premiums and discounts on forward contracts, which are recorded on a pro rata basis as financial income and expenses. Foreign exchange gains and losses arising from contracts hedging financial risks are recorded as financial income or expenses.

3.3 BRANDS AND OTHER INTANGIBLE ASSETS

Brands are recognized as assets at their value calculated on the date of their acquisition. They are not amortized, but impaired, if applicable, in accordance with the methods described in Note 9. Costs incurred in developing brands are expensed.

Other intangible assets are amortized over their probable useful lives, in particular, sofware is amortized over a three to five-year period.

3.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost, excluding subsequent revaluations, and includes, as the case may be, the interest expense capitalized during the period prior to the date when the asset is placed in service.

Depreciation is charged using the straight-line method over the estimated useful lives of the assets:

- -	Buildings	40 years
- -	Machinery and equipment	3 to 5 years
- -	Commercial corners	3 years

3.5 INVENTORIES AND WORK-IN-PROGRESS

Inventories are recorded at the lower of cost, excluding financial expenses or net realizable value; cost of finished goods includes manufacturing costs (labor costs and direct or indirect manufacturing overheads production cost); the raw material and merchandise cost is composed of their purchase price from suppliers, plus incidental expenses.

Inventories (including diamonds and precious stones) are valued according to the average weighted cost method, whereas gold inventory is valued, using the first-in, first-out method (FIFO).

Inventories provisions are provided to cover risks arising from slow-moving items and discontinued products.

3.6 TRADE ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Receivables are recorded at their face value. An allowance for doubtful accounts is recorded when it is probable that they will not be collected.

3.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in banks and short-term deposits which are immediately available, as well as debit balances of cash-pooling with LVMH and its subsidiaries.

3.8 RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed in the year they are incurred.

3.9 INCOME TAXES AND DEFERRED TAXATION

Current income tax comprises income tax payable by legal entities included in the Ebel Business as well as allocation of tax expenses of the distribution entities.

Deferred taxes are recorded to reflect timing differences arising between the amount of assets and liabilities reported in the combined financial statements and the amount resulting from the application of tax regulations. These amounts are recorded on the basis of the enacted tax rates known at year-end.

Future tax savings from tax losses carried forward are only recorded as deferred tax assets when their recovery is deemed likely.

Taxes that would become payable in the event of distribution of the retained earnings of by Ebel and its subsidiaries are provided for if such a distribution is probable.

3.10 PROVISIONS AND CONTINGENT LIABILITIES

3.10.1 WARRANTY COSTS

Ebel offers, under certain conditions, a five-year warranty for its watches. Provisions for warranty are made at the time revenues are recognized.

3.10.2 RETURNS

In general, there is no open sale return policy from customers; however, a provision is recorded for estimated returns.

3.10.3 EMPLOYEE BENEFITS

When payments are made by the Ebel Business in respect of employee benefits to third party organizations managing the payment of such benefits, such payments are expensed in the year in which they fall due, with no liability being recorded in this respect on the balance sheet.

When employee benefits are paid directly by the combined entities, a provision is recorded in the balance sheet for the amount of the corresponding actuarial liability, and any changes in this commitment are recorded in expenses for the period. When this commitment is either partially or wholly funded by payments made by combined entities to external fund managers, the amount of the corresponding plan assets is deducted from the actuarial liability booked on the balance sheet.

The actuarial liability is calculated on the basis of evaluations specific to each country and including, in particular, assumptions regarding the salary increase, inflation, life expectancy, staff turnover and the return on plan assets.

3.11 REVENUE RECOGNITION

3.11.1 NET SALES

Ebel revenue transactions include direct sales to independent retailers and distribution agents. Sales are recognized when title transfers, except for guaranteed sales and formal arrangements for rights of returns.

Guaranteed sales are recognized as revenues and margin is provided for. Sales with right of returns are not recognized until the title transfer to unaffiliated customers.

3.11.2 ACCOUNTING FOR SHIPPING & HANDLING COSTS

The Ebel Business classifies amounts reimbursed by customers for shipping and handling costs as revenues. The costs incurred by the Ebel Business for transportation and handling are included in selling expenses.

3.11.3 ACCOUNTING FOR ADVERTISING FEES & COOPERATIVE ADVERTISING

Communication & promotion expenses are recognized in the statement of income when the commercial event (such as exhibitions, advertising campaign) has taken place.

With the exception of discounts linked to specific promotional events, which are recorded as communication expenses, sales discounts resulting from contractual agreements with the trade are recognized as a deduction from net sales.

3.12 OTHER INCOME AND EXPENSES

Revenues and expenses not directly linked to ordinary operations are classified as other income or expenses.

3.13 USE OF ESTIMATES

The preparation of financial statement in conformity with generally accepted accounting principles requires Management to make estimates and assumptions based on available information at the date of preparation of the financial statements. Actual results might differ from these assumptions and estimates that affect the amounts reported in the financial statements and accompanying notes.

4. CASH & CASH EQUIVALENTS

(EUR THOUSANDS)	2003	2002	2001
Cash-pooling (debit balances)	3,063	783	6,654
Ordinary bank accounts	1,984	3,460	7,334
CASH & CASH EQUIVALENTS	5,047	4,243	13,988
OF WHICH, CASH POOLING BALANCES WITH LVMH AND ITS SUBSIDIAIRIES	3,063	783	6,654
OF WHICH, RESTRICTED CASH	--	--	--

As of December 31, 2003, net cash and cash equivalents at year-end, as shown in the statement of cash-flows, amount to EUR (44,508) thousand. The reconciliation of this amount with the data set out above is as follows:

(EUR THOUSANDS)	2003	2002	2001
Ordinary bank accounts	1,984	3,460	7,334
Bank overdrafts	(4)	(11)	(278)
Cash pooling, debit & credit balances, net	(46,488)	(49,413)	(16,607)
NET CASH & CASH EQUIVALENTS	(44,508)	(45,964)	(9,551)

5. TRADE ACCOUNTS RECEIVABLE - NET

(EUR THOUSANDS)	2003	2002	2001
Gross value	21,781	26,773	34,559
Allowance for doubtful accounts	(3,440)	(3,604)	(3,323)
TRADE ACCOUNTS RECEIVABLE - NET	18,341	23,169	31,236
OF WHICH, ACCOUNTS RECEIVABLE / (PAYABLE) FROM LVMH AND ITS SUBSIDIAIRIES	(187)	196	44

Accounts receivable for a total amount of CHF 2,123 thousand (EUR 1,363 thousand, EUR 1,462 thousand and EUR 1,432 thousand at December 31, 2003, 2002 and 2001 respectively) were fully provided for prior to the acquisition by LVMH and its subsidiaries.

6. INVENTORIES & WORK-IN-PROGRESS - NET

(EUR THOUSANDS)	2003	2002	2001
Finished goods	22,739	20,184	26,415
Raw material and work-in-progress	50,257	57,572	57,946
GROSS VALUE	72,996	77,756	84,361
Provision	(42,716)	(40,130)	(46,014)
INVENTORIES & WORK-IN PROGRESS - NET	30,280	37,626	38,347

7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

(EUR THOUSANDS)	2003	2002	2001
Foreign currency hedging operations	1,498	638	1,027
Tax: income tax	244	507	110
other taxes	777	841	1,374
Advances and downpayments	--	31	38
Advertising & Promotion prepaid expenses	535	1,167	1,194
Other prepaid expenses	1,065	1,011	787
Receivables from sales of fixed assets	--	114	433
Other receivables, net	578	269	914
PREPAID EXPENSES & OTHER CURRENT ASSETS	4,697	4,578	5,877
OF WHICH, PREPAID EXPENSES AND OTHER CURRENT ASSETS FROM LVMH AND ITS SUBSIDIARIES	384	401	206

8. INVESTMENTS CARRIED AT COST

(EUR THOUSANDS)	2003				2002	2001
	Group interest	Gross value	Depreciation	Net book value	Net book value	Net book value
Ebel Italia, SRL Milano (1)	100%	145	(145)	--	--	--
Societe immobiliere du Parc 153-155 SA (2)	42%	76	--	76	81	79
Ebel The Architects of Time (1)	100%	52	(52)	--	--	--
Messe Schweiz AG Basel	<1%	2	--	2	2	2
Infosuisse	<1%	1	(1)	--	--	--
INVESTMENTS CARRIED AT COST		276	(198)	78	83	81

(1) Company in liquidation

(2) Ebel has no significant influence on this company. In 2003, this company paid dividends for a total amount of CHF 7 thousand (EUR 5 thousand). Its net equity at december 31, 2002 was CHF 519 thousand and its profit for the 2002 year amounted to CHF 3 thousand.

9. BRANDS AND OTHER INTANGIBLE ASSETS - NET

(EUR thousands)	2003 Gross value	Depreciation Amortization	Net book value	2002 Net book value	2001 Net book value
Ebel brand (1)	117,211	(117,211)	--	125,758	123,161
Software	505	(364)	141	262	214
Other intangible assets	110	(53)	57	--	27
BRANDS & OTHER INTANGIBLE ASSETS - NET	117,826	(117,628)	198	126,020	123,402

(1) DENOMINATED IN CHF (CHF 182,605 THOUSAND)

Changes over the financial year 2003 are analyzed as follows:

(EUR THOUSANDS)	Gross Value	Depreciation Amortization	Net Book Value
AS OF JANUARY 1, 2003	126,331	(311)	126,020
Acquisitions	85	--	85
Brand depreciation expense (1)	--	(120,078)	(120,078)
Other depreciation expense	--	(134)	(134)
Effect of exchange rate fluctuations	(8,590)	2,895	(5,695)
AS OF DECEMBER 31, 2003	117,826	(117,628)	198

(1) REFER TO NOTE 18 - OTHER INCOME & EXPENSES AND NOTE 24 - SUBSEQUENT EVENTS

Brands values are estimated and tested at year-end mainly by the CASH-FLOW METHOD, i.e. on the basis of the future cash flows expected to be generated by the brand. However, other methods are used which may lead to an adjustment of the results obtained by using the cash flow method: the ROYALTY METHOD, which gives the brand a value equivalent to the royalties that must be paid for the right to use such a brand; and finally the MARKET COMPARABLES METHOD, using revenue and earnings multiples used in transactions with similar brands, or stock market multiples applicable to the watch & jewelry business.

In the cash-flow method, the pro forma data is based on budgets and plans drawn up by the management of the companies exploiting these brands; the expected future cash-flows based on these documents are discounted to present value, and, where necessary, weighted according to the probability that each of the scenarios applied will occur. The discount rate used includes the rate of return expected by an investor in the watch & jewelry sector and the risk premium inherent to this business.

10. PROPERTY, PLANT & EQUIPMENT - NET

(EUR thousands)	2003 Gross value	2003 Depreciation	2003 Net book value	2002 Net book value	2001 Net book value
Office buildings	10,264	(5,369)	4,895	5,337	5,457
Industrial buildings	4,103	(2,284)	1,819	2,066	2,138
Machinery & equipment	3,455	(2,611)	844	1,012	956
Other tangible assets	8,534	(6,968)	1,566	2,608	1,330
PROPERTY, PLANT & EQUIPMENT - NET	26,356	(17,232)	9,124	11,023	9,881

Changes over the financial year 2003 are analyzed as follows:

(EUR thousands)	Gross value	Depreciation	Net Book value
AS OF JANUARY 1, 2003	28,043	(17,020)	11,023
Acquisitions	411	--	411
Disposals	(87)	70	(17)
Depreciation expense	--	(1,573)	(1,573)
Effect of exchange rate fluctuations	(2,011)	1,291	(720)
AS OF DECEMBER 31, 2003	26,356	(17,232)	9,124

11. SHORT-TERM BORROWINGS

The breakdown of other short-term borrowings by nature and currency (expressed as a percentage) is as follows:

(EUR THOUSANDS)	2003	2002	2001	(AS A %)	2003
Cash pooling credit balances	49,551	50,196	23,261	Swiss Franc	85.7
Borrowings from LVMH and its subsidiaries	26,226	9,968	30,266	Euro	13.9
Bank overdrafts	4	11	278	Others	0.4
SHORT-TERM BORROWINGS	75,781	60,175	53,805		100.0
OF WHICH, SHORT-TERM BORROWINGS FROM LVMH AND ITS SUBSIDIAIRIES	75,777	60,164	53,527		

The weighted average interest rate of the cash pooling accounts is estimated approximately at 0.6% for the year ended December 31, 2003 (1.6% and 3.3% for the years ended December 31, 2002 and 2001 respectively). For the borrowings from LVMH and its subsidiaries, it is estimated approximately at 0.7% for the year ended December 31, 2003 (1.6% and 2.9% for the years ended December 31, 2002 and 2001 respectively).

12. ACCRUED EXPENSES & OTHER CURRENT LIABILITIES

(EUR THOUSANDS)	2003	2002	2001
Foreign currency hedging operations	1,334	734	1,006
Personnel and payroll expenses	3,424	3,271	4,867
Taxes other than income tax	10	958	24
Accrued management fees	368	--	579
Provisions for reorganization	--	4,384	14,230
Other loss and contingency provisions	799	656	650
Provisions for returns	1,214	2,998	134
Other	968	1,395	1,131
ACCRUED EXPENSES & OTHER CURRENT LIABILITIES	8,117	14,396	22,621
OF WHICH, OTHER CURRENT LIABILITIES DUE TO LVMH AND ITS SUBSIDIARIES	159	261	1,313

During the 2003 fiscal period, the changes in the balances of the provision for reorganization and the loss and contingency provisions and for returned goods are as follows:

(EUR thousands)	At December 31, 2002	Increases	Amounts Used	Transfers From Long-term Provisions	Effect of Foreign Currency Fluctuations	At December 31, 2003
Provisions for reorganization	4,384	--	(4,132)	--	(252)	--
Provisions for returns	2,998	1,491	(3,075)	--	(200)	1,214
Provisions for warranties	346	5	(44)	298	(71)	534
Other provisions	310	189	(205)	--	(29)	265
Current provisions	8,038	1,685	(7,456)	298	(552)	2,013
of which : income from operations		75	(5,300)			
financial expense (income) - net		--	(3)			
other income and expenses		1,610	(2,153)			

13. LONG-TERM DEBT

(EUR thousands)	2003	2002	2001
Bank loans	4,185	4,537	4,491
Borrowings from LVMH and its subsidiaries (1)	--	16,869	16,522
Long-term debt	4,185	21,406	21,013
Of which, long-term financial debt due to LVMH and its subsidiaries	--	16,869	16,522
Bank loans	45	48	47
Current portion of long-term debt	45	48	47

(1) The borrowings from LVMH and its subsidiaries were reclassified in 2003 as a short-term borrowing for a total amount of CHF 24,500 thousand (refer to Note 11).

The bank loans are secured by two mortages (first and second tiers) on a building owned by the Company.

14. OTHER LONG-TERM LIABILITIES

(EUR thousands)	2003	2002	2001
Employee benefits	2,165	2,704	2,781
Provisions for warranties	1,788	2,432	2,726
Other provisions	--	258	--
Other long-term liabilities	3,953	5,394	5,507

During the 2003 fiscal period, the changes in loss and contingency provisions are as follows:

(EUR thousands)	At December 31, 2002	Increases	Amounts Used	Transfers to Short-term Provisions	Effect of Foreign Currency Fluctuations	At December 31, 2003
Provisions for warranties	2,432	50	(235)	(298)	(161)	1,788
Other provisions	258	--	(258)	--	--	--
Non-current provisions	2,690	50	(493)	(298)	(161)	1,788
of which : income from operations		50	(235)			
others		--	(258)			

Employee benefits are discussed in Note 23.

15. COMBINED NET WORTH

15.1 Funds allocated by the owner

Funds allocated by LVMH represent the investment of the owner in Ebel SA and Business and were as follows:

(EUR thousands)	2003	2002	2001
Investments in Ebel SA	103,180	103,180	103,180
Investment in LVMH Watch & Jewelry Germany GmbH	6,027	2,027	2,027
Financing of Ebel activities (1)	21,848	7,083	6,125
Funds allocated by the owner	131,055	112,290	111,332

(1) This amount reflects all specific assets, liabilities, revenues and expenses attributable to Ebel Business, as well as allocation of indirect expenses of certain distribution subsidiaries of LVMH.

15.2 Cumulative translation adjustment

The breakdown by currency of the cumulative translation adjustments recorded in stockholders' equity is as follows:

(EUR thousands)	2003	2002	2001
Swiss Franc	3,103	6,570	3,300
US Dollar	(3,270)	(2,291)	(3,316)
Japanese Yen	(393)	(235)	(100)
Sterling Pound	(135)	(21)	42
Singapore Dollar	(146)	(74)	(6)
Hong-Kong Dollar	(103)	(107)	(6)
Other	(122)	(315)	(102)
Cumulative translation adjustment	(1,066)	3,527	(188)

16. INFORMATION BY GEOGRAPHICAL AREAS

The information below is presented on the basis of the location of Ebel invoicing entities:

(EUR thousands)	2003	2002	2001
Net sales			
Switzerland	18,629	31,284	42,076
U.S.A.	16,493	24,034	29,555
Europe (excluding Switzerland)	14,998	20,362	23,501
Asia & Oceania	5,786	8,138	4,388
Net sales	55,906	83,818	99,520
Income - (loss) from operations			
Switzerland	(9,296)	(7,806)	(5,066)
U.S.A.	(3,207)	(3,430)	587
Europe (excluding Switzerland)	(2,228)	(912)	(55)
Asia & Oceania	(1,258)	(997)	(223)
Income - (loss) from operations	(15,989)	(13,145)	(4,757)
Total assets			
Switzerland	48,156	183,280	188,456
U.S.A.	7,543	9,304	17,262
Europe (excluding Switzerland)	9,590	11,717	13,883
Asia & Oceania	2,803	2,454	3,226
Assets	68,092	206,755	222,827
Total liabilities			
Switzerland	83,723	88,572	76,510
U.S.A.	2,354	10,135	29,800
Europe (excluding Switzerland)	12,238	14,167	10,663
Asia & Oceania	704	725	1,191
Liabilities	99,019	113,599	118,164

The table set forth below presents, for the periods indicated, the percentage of net sales by invoicing currencies:

(Expressed as a percentage)	2003	2002	2001
CHF	34	37	42
EUR	19	18	19
GBP	7	6	4
USD	30	29	30
JPY	4	4	1
Other currencies	6	6	4
Net sales	100	100	100

17. FINANCIAL EXPENSE - NET

(EUR thousands)	2003	2002	2001
Interest expense	(1,300)	(1,419)	(5,094)
Interest income	168	134	384
Other financial expense, net	(321)	(177)	(254)
Foreign currency exchange gains (losses)	16	(2)	--
Financial expense, net	(1,437)	(1,464)	(4,964)
of which, interest paid during the period	(1,300)	(1,419)	(5,094)
of which, net interest income - (expense) charged to (by) LVMH and its subsidiaries	(841)	(1,025)	(4,404)

18. OTHER INCOME AND EXPENSES - NET

(EUR thousands)	2003	2002	2001
Brand depreciation expense	(120,078)	--	--
Gains - (losses) on disposals of fixed assets	13	440	1,337
Distribution channel closures	(664)	--	--
Restructuring costs, net of release of provisions	(265)	(1,389)	--
Other	(3)	(52)	(70)
Other income & expenses, net	(120,997)	(1,001)	1,267
of which, net other income - (expense) charged to (by) LVMH and its subsidiaries	(84)	88	(149)

An exceptional depreciation of the Ebel brand was recorded at December 31, 2003 to reflect the provisions of the Agreement.

19. INCOME TAXES

19.1 Analysis of the income tax expense

(EUR thousands)	2003	2002	2001
Current income tax	(143)	(355)	768
Deferred income tax	306	(215)	(293)
Income tax	163	(570)	475

19.2 Tax losses carried forward

As of December 31, 2003, the unused tax losses carried forward of Ebel and its subsidiaries amounted to CHF 186,682 thousand.

20. EXPOSURE TO FOREIGN EXCHANGE RISKS

20.1 Financial instruments

Ebel Business carries out a significant portion of their sales and occasionally their purchases in foreign currencies. Hedging instruments are used to reduce the risks arising from foreign currency fluctuations against the companies' functional currencies. They are allocated to either accounts receivable or payable for the period or, within certain limits to anticipated future transactions. The budget process includes the estimation of the future flows of currencies, which are progressively hedged by forward exchange or option contracts.

Financial instruments are used to hedge risks in connection with Ebel activity. The counterpart of the hedge contracts is the parent company, LVMH.

Based on the exchange rate as of December 31, 2003, the nominal amounts and fair value of the outstanding hedging derivatives are as follows:

(EUR thousands)	Nominal amounts of hedge contracts allocated to				
	2003	2004	2005 & 2006	TOTAL	Market value
Forward exchange contracts					
USD	--	2,613	--	2,613	333
JPY	--	415	--	415	12
GBP	1,272	674	--	1,946	14
EUR	300		--	300	--
Others	92	95	--	187	(1)
	1,664	3,797	--	5,461	358
Options					
USD	--	1,584	--	1,584	139
JPY	--	296	--	296	19
	--	1,880	--	1,880	158
Ranges					
USD	--	2,423	435	2,858	271
JPY	--	296	--	296	20
	--	2,719	435	3,154	291

20.2 Translation of the accounts of foreign subsidiaries

The portion of the consolidated net loss for 2003 deriving from subsidiaries or businesses which prepare their financial statement in Pounds Sterling, Japanese yens, US dollars or currencies linked to the US dollar amounts to EUR (5,126) thousand. A 10% change in exchange rates for these currencies would have an impact of EUR 466 thousand on net income.

21. OFF-BALANCE SHEET ITEMS

(EUR thousands)	2003	2002	2001
Guarantees:			
Swiss custom administration (CHF 170 thousand)	109	117	115
Others (CHF 28 thousand)	18	19	19

At year-end 2003, as part of the ordinary course of its business, Ebel Business had entered the following non-cancelable commitments:

- purchases of components & raw materials (EUR 3,631 thousand);
- brand ambassadors' contracts (EUR 1,123 thousand);
- retailers space rental and promotional arrangements (EUR 678 thousand);
- office and factory building leases (EUR 140 thousand);
- information technology hardware rental agreements (EUR 687 thousand);
- other operating leases (EUR 153 thousand).

The bank loans (refer to note 13.) are secured by two mortages (first and second tiers) on a building owned by the Company.

Ebel may be a party from time to time to legal proceedings involving trademarks and intellectual property, selective distribution agreements, license agreements, employee relations, tax audits and other matter incidental to business. Ebel considers that the provisions included in the balance sheet, related to litigation and contingent liabilities known or in-process at December 31, 2003, are sufficient to cover any unfavourable outcome, so that Ebel's financial position would not be materially adversely affected.

22. RESEARCH AND DEVELOPMENT COSTS

Research and development costs amounted to EUR 1,117 thousand in 2003 (EUR 1,440 in 2002, EUR 801 in 2001) and were fully expensed.

23. EMPLOYEE INFORMATION

23.1 Headcount

As of December 31, the headcount of Ebel was as follows:

	2003	2002	2001
By geographical area			
Switzerland	195	244	251
Europe (excluding Switzerland)	50	60	66
U.S.A.	37	55	62
Japan	8	10	10
Asia (excluding Japan)	11	6	--
Total	301	375	389
By category			
Labors and production	110	143	161
Offices and clerical	84	105	109
Technicians and supervisory staff	27	38	41
Executives and management	80	89	78
Total	301	375	389

23.2 Payroll costs

Payroll costs totaled EUR 21,294 thousand (EUR 22,768 thousand in 2002; EUR 22,000 thousand in 2001).

23.3 Compensation of directors and officers

In 2003, compensation paid to members of the Board of Directors and to members of the Executive Committee, representing a total of nine individuals, amounted to EUR 7 thousand and EUR 1,184 thousand respectively.

23.4 Expenses and provisions regarding pensions, medical costs and similar commitments

(i) Description

Ebel granted to Swiss employees length-of-service awards and retirement indemnities; additionally, Ebel is marginally engaged in defined benefit plans in countries such as Japan and Germany, and mandatory schemes such as end-of-career indemnities in France and in Taiwan. All other plans (granted in the United States of America, Switzerland) are defined contribution plans.

The tables set forth below summarize information related to those employee benefits.

(ii) Net expense for the year

(EUR thousands)	2003	2002	2001
Service cost	279	357	33
Interest cost	84	92	42
Expected return on plan assets	(33)	(48)	(170)
Amortization of actuarial gains & losses	(478)	(218)	--
Net periodic pension cost	(148)	183	(95)

(iii) Breakdown of the provision recorded in the balance sheet

(EUR thousands)	2003	2002	2001
Projected benefit obligation	2,904	3,410	3,439
Fair value of plan assets	(739)	(706)	(658)
Unrecognized actuarial gains & losses	--	--	--
Provision recorded in the balance sheet	2,165	2,704	2,781

Refer to Note 14: Other long-term liabilities

(iv) Analysis of changes in commitments

(EUR thousands)	Projected benefit obligation	Fair value of plan assets	Actuarial gains & losses	Provision in the balance sheet
Balance as of January 1, 2003	3,410	(706)	--	2,704
Net periodic pension cost	363	(33)	(478)	(148)
Payments made to beneficiaries	(222)	--	--	(222)
Contribution to plan assets	--	--	--	0
Foreign currency translation effect	(169)	--	--	(169)
Others (of which, actuarial gains & losses)	(478)	--	478	0
Balance as of December 31, 2003	2,904	(739)	0	2,165

The actuarial assumptions used to estimate the commitments in the main countries where such commitments have been undertaken, are as follows:

	Switzerland
Discount rate	3.50%
Expected return on plan assets	N/A
Rate of compensation increase	N/A

24. SUBSEQUENT EVENTS

The transfer of Ebel Business to Movado became effective on March 1, 2004. The exceptional depreciation of the Ebel brand recorded at December 31, 2003 reflects the provisions of the Agreement.

25. RELATED PARTIES

Exclusive agreements have been entered into by Ebel SA with LVMH subsidiaries in the United States of America, United Kingdom, Spain, France, Germany, Japan, Hong-Kong, Malaysia, Singapore, Taiwan and Australia for the distribution of the Ebel products in those territories. A representation agreement is also in place between Ebel SA and LVMH to represent the Ebel Brand in the Caribbean and South American countries.

Ebel SA coordinated the after-sales service technical support for Dior watches. Ebel SA and its French subsidiary, Swisswave Europe, also provided after-sales repair services for Dior & Zenith watches in France. Warranty repairs were recharged to Dior & Zenith.

Ebel SA provided Private Label Development, a Swiss based LVMH subsidiary with accounting, payroll, information technology and general services. In the course of 2003, the central resources providing such services were transferred to Private Label Development which extended such technical support to Ebel SA.

As a parent company, LVMH manages and coordinates the operational activities of Ebel Business, and provides this business with assistance in regard to various management services, particularly in the legal, financial, tax or insurance areas. LVMH also organizes a cash-pooling arrangement and centralizes the financing requirements of the Ebel Business. It also centralizes the foreign currency hedges entered into by the Ebel Business.

The amounts charged to/by the Ebel business were as follows:

(EUR thousands)	2003	2002	2001
Net sales	500	1,411	196
Cost of sales	(90)	(61)	408
Marketing and selling expenses	(421)	(152)	(58)
General and administrative expenses	(1,285)	(2,066)	(1,542)
Financial expense - net	(841)	(1,025)	(4,404)
Other income or expenses - net	(84)	88	(149)

As of December 31, the outstanding balances owed to/from the related parties were as follows:

(EUR thousands)	2003	2002	2001
Assets			
Cash and cash equivalents	3,063	783	6,654
Trade accounts receivable	(187)	196	44
Prepaid expenses and other current assets	384	401	206
Liabilities			
Short-term borrowings	75,777	60,164	53,527
Accounts payable	323	228	115
Accrued expenses and other current liabilities	165	261	1,313
Long-term debt, less current portion	--	16,869	16,522
Funds allocated by the owner			
Funds allocated by the owner	131,055	112,290	111,332
Related cumulative translation adjustment	(2,326)	(531)	(47)

LVMH provided to Credit Suisse a comfort letter covering the overdraft lines contracted by Ebel for a maximum potential amount of CHF 10 million. The letter has no expiration date. In case of payment default, LVMH would have to perform under the guarantee given up to the amount due by its subsidiary Ebel.

26. SUMMARY OF DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES ADOPTED BY EBEL AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES

26.1 Differences between French GAAP and US GAAP

The accompanying combined financial statements for 2003, 2002 and 2001 are prepared in accordance with accounting principles, which differ in certain respects from those generally accepted in the United States (US GAAP). The differences are described below:

a) Brands

Under French GAAP, the Ebel brand is not amortized but is subject to impairment tests, on an annual basis at least or whenever indicators defined by Ebel would show that the recoverable value may not exceed the carrying value of the brand (refer to note 9 - Brand & intangible assets).

Under US GAAP, on January 1, 2002, Ebel adopted SFAS No. 142, Goodwill and Other Intangible Assets. Under SFAS No. 142, the Ebel brand was classified as an indefinite-lived intangible asset and would no longer be amortized; rather, it would be reviewed for impairment on an annual basis and whenever events indicate that their carrying value may not be recoverable. Should the fair value of the indefinite-lived intangible assets be less than its carrying value, an impairment loss would be recognized in an amount equal to the difference.

Intangible assets that are not deemed to have an indefinite life would be amortized over their estimated useful lives.

Under US GAAP, the Ebel brand value was adjusted to reflect the differences between French and US GAAP in the purchase price allocation at the date of acquisition (refer to note 26.1.b and 26.1.c). Reallocation of negative goodwill to long-lived assets resulted in a reduction of EUR 8,931 thousand in the brand value under US GAAP and had no significant effect on other long-lived assets. Subsequent amortization expense and write-down were adjusted accordingly.

b) Deferred taxes on brands

Under French GAAP, deferred tax liabilities on acquired brands are not recognized.

Under US GAAP, in conformity with SFAS No. 109, deferred tax liabilities on acquired brands would be recorded; however, at the date of acquisition, such liabilities would have been recorded against additional goodwill or brand. Prior to the application of SFAS No. 142, the amortization of such additional goodwill or brand and the reversal of the deferred tax liability would have offset each other.

c) Reorganizing costs

Under French GAAP, Ebel recorded liabilities for the estimated cost of reorganization of distribution channels & product lines as part of the purchase accounting.

Under US GAAP, such reorganization costs were not eligible to purchase accounting and were recorded as incurred.

d) Hedging of foreign exchange risks

Under French GAAP, the Group revalues its foreign exchange derivative contracts using the year-end exchange rates. Unrealized gains and losses may be deferred if the instruments have been designated as hedge instruments by Management.

Under US GAAP, and following the adoption of SFAS 133, all derivatives whether designated as a hedging relationship or not, are required to be recorded in the balance sheet at fair value. Under SFAS 133, changes in the fair value of derivatives are recognized in earnings except for the effective portion of the change in fair value of derivatives that are designated and documented as cash-flow hedges at inception.

Ebel does not comply with all the formal requirements regarding documentation as per the SFAS 133 to meet the definition of hedging. As a result, effective January 1, 2001, all derivative instruments held by Ebel would be recorded at their fair value. Changes in fair value of all derivative instruments would be recognized in earnings.

The adoption of SFAS 133 effective January 1, 2001 had a non-significant effect.

e) Tax losses carried forward and deferred taxes

Deferred taxes are included on the above adjustments to conform to US GAAP.

Ebel's policy for accounting for income taxes is substantially in accordance with SFAS 109 `Accounting for income taxes'. However, under French GAAP, deferred tax assets arising from tax losses are not recognized when their recovery is deemed not probable.

Under US GAAP, deferred income tax assets on tax losses carried forward would have been recorded, but would have been completely offset by recorded valuation allowances.

f) Comprehensive income

Comprehensive income is not a concept addressed by French GAAP. Under US GAAP, in accordance with SFAS No. 130 Reporting Comprehensive Income, comprehensive income would include all non-owner changes in stockholders' equity.

Under US GAAP, comprehensive income would include, in addition to net income:

- movements in cumulative translation adjustment;
- unrealized gains or losses, net of tax effect on available-for-sale securities, until realized (except for the net effects of other-than-temporary declines in fair value below the cost basis, which would be charged to the statement of income);

- movements in fair value of the derivative instruments designated as cash-flow hedges;
- equity adjustments for additional minimum pension liability not charged to the statement of income yet.

26.2 Conversion to US GAAP

The effects of differences between accounting principles adopted by Ebel and those generally accepted in the United States are presented on a gross basis with a separate adjustment for taxes as follows:

26.2.1 Adjustments to net income / (loss)

(EUR thousands)	NOTES	2003	2002	2001
Net income / (loss), as reported for French GAAP		(138,255)	(16,180)	(7,979)
US GAAP adjustments				
Brand amortization	26.1.a	16,017	--	(2,610)
Reorganizing costs	26.1.c	(4,187)	(10,045)	(17,597)
Derivatives	26.1.d	190	(94)	507
Others		(133)	(356)	(359)
Deferred taxes		19,742	25	406
Net income / (loss), as adjusted for US GAAP		(106,626)	(26,650)	(27,632)
Other comprehensive income				
Foreign currency translation		(3,109)	3,067	(847)
Comprehensive income / (loss)		(109,735)	(23,583)	(28,479)

26.2.2 Adjustments to Income / (loss) from operations

(EUR thousands)	NOTES	2003	2002	2001
Income / (loss) from operations, as reported for French GAAP		(15,989)	(13,145)	(4,757)
US GAAP adjustments				
Reclassification from other income or expenses	18	(120,333)	(1,001)	1,267
Brand depreciation	26.1.a	16,017	--	(2,610)
Reorganizing costs	26.1.c	(4,187)	(10,045)	(31,569)
Others		(133)	(356)	(359)
Income / (loss) from operations, as adjusted for US GAAP		(124,625)	(24,547)	(38,028)

26.2.3 Adjustments to combined net worth

YEAR ENDED DECEMBER 31, 2003 (EUR thousands)	NOTES	Funds allocated by the owner	Net income/(loss)	Retained earnings	Other comprehensive income	Combined net worth
As reported for French GAAP		131,055	(138,255)	(22,661)	(1,066)	(30,927)
US GAAP adjustments						
Brand amortization	26.1.a	--	16,017	(5,426)	(303)	10,288
Brand gross value	26.1.c	--	--	(10,053)	(236)	(10,289)
Reorganizing costs	26.1.c	--	(4,187)	2,062	2,125	--
Derivatives	26.1.d	--	190	413	--	603
Others		--	(133)	(1,681)	--	(1,814)
Deferred taxes		--	19,742	(18,706)	(1,151)	(115)
As adjusted for US GAAP		131,055	(106,626)	(56,052)	(631)	(32,254)

YEAR ENDED DECEMBER 31, 2002 (EUR thousands)	NOTES	Funds allocated by the owner	Net income/(loss)	Retained earnings	Other comprehensive income	Combined net worth
As reported for French GAAP		112,290	(16,180)	(6,481)	3,527	93,156
US GAAP adjustments						
Brand amortization	26.1.a	--	--	(5,426)	(306)	(5,732)
Brand gross value	26.1.c	--	--	(10,053)	(984)	(11,037)
Reorganizing costs	26.1.c	--	(10,045)	12,107	2,322	4,384
Derivatives	26.1.d	--	(94)	507	--	413
Others		--	(356)	(1,345)	--	(1,701)
Deferred taxes		--	25	(18,724)	(2,081)	(20,780)
As adjusted for US GAAP		112,290	(26,650)	(29,415)	2,478	58,703

YEAR ENDED DECEMBER 31, 2001 (EUR thousands)	NOTES	Funds allocated by the owner	Net income/(loss)	Retained earnings	Other comprehensive income	Combined net worth
As reported for French GAAP		111,332	(7,979)	1,498	(188)	104,663
US GAAP adjustments						
Brand depreciation	26.1.a	--	(2,610)	(2,816)	(113)	(5,539)
Brand gross value	26.1.c	--	--	(10,053)	(757)	(10,810)
Reorganizing costs	26.1.c	--	(17,597)	29,704	2,123	14,230
Derivatives	26.1.d	--	507	--	--	507
Others		--	(359)	(1,006)	--	(1,365)
Deferred taxes		--	406	(19,122)	(1,654)	(20,370)
As adjusted for US GAAP		111,332	(27,632)	(1,795)	(589)	81,316

26.2.4 Adjustments to the cash-flow statement

Under French GAAP, cash equivalents as presented in the statement of cash-flows are net of bank overdrafts and credit balances of cash pooling with LVMH and its subsidiaries, and include certain available-for-sale securities and unrestricted time deposits over 3 months. Adjustments required to conform to the US GAAP are presented below:

(EUR thousands)	2003	2002	2001
Net cash flows - operating acitivites - French & US GAAP	(20,125)	(17,680)	(34,473)
Net cash flows - investing activities - French GAAP & US GAAP	(357)	(1,960)	1,103
Net cash flows - financing activities - French GAAP	18,719	(17,763)	18,321
Bank overdrafts	(6)	(270)	(847)
Cash pooling accounts due to LVMH and its subsidiairies	2,972	26,842	22,840
Net cash flows - financing activities - US GAAP	21,685	8,809	40,314
Effect of exchange rate changes - French GAAP	3,219	990	136
Bank overdrafts	(1)	3	14
Cash pooling accounts due to LVMH and its subsidiairies	(3,617)	93	421
Effect of exchange rate changes - US GAAP	(399)	1,086	571
Cash & cash equivalents at beginning of the year - French GAAP	(45,964)	(9,551)	5,362
Bank overdrafts	11	278	1,111
Cash pooling accounts due to LVMH and its subsidiairies	50,196	23,261	-
Cash & cash equivalents at beginning of the year - US GAAP	4,243	13,988	6,473
Cash & cash equivalents at year end - French GAAP	(44,508)	(45,964)	(9,551)
Bank overdrafts	4	11	278
Cash pooling accounts due to LVMH and its subsidiairies	49,551	50,196	23,261
Cash & cash equivalents at year-end - US GAAP	5,047	4,243	13,988

26.3 Additional information with respect to US GAAP - New accounting standards

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). This Statement, which is effective for exit or disposal activities initiated after December 31, 2002, addresses financial accounting and reporting for costs associated with exit or disposal activities. SFAS 146 requires companies to record a liability for costs associated with an exit or disposal activity in the period in which the liability is incurred. This differs from current practice, which requires the liability to be recognized at the date of commitment. The adoption of SFAS 146 did not have a material impact on the combined financial statements of Ebel business.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others" (FIN 45). FIN 45 sets forth the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. FIN 45 also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The disclosure provisions of FIN 45 are effective for financial statements of annual periods that end after December 15, 2002. The initial recognition and measurement provisions of FIN 45 are applicable to guarantees issued or modified after December 31, 2002. The adoption of FIN 45 did not have a material impact on the combined financial statements of Ebel business.

In November 2002, the EITF reached a consensus on Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" (EITF 00-21). This pronouncement provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF 00-21 apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. Ebel business does not believe this EITF will have significant impact on its combined financial statements.

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 ("FIN 46"). The primary objectives of FIN 46 were to provide guidance on the identification of entities for which control is achieved through means other than through voting rights and how to determine when and which business enterprise should consolidate the variable interest entity ("VIE").

In December 2003, the FASB published a revision to FIN 46 ("FIN 46R"), resulting in multiple effective dates based on the nature as well as the creation date of the VIE. VIEs created after January 31, 2003, but prior to January 1, 2004, may be accounted for either based on FIN 46 or FIN 46R. However, FIN 46R must be applied no later than the end of the first reporting period that ends after March 15, 2004. VIEs created after January 1, 2004 must be accounted for under FIN 46R. Special Purpose Entities ("SPEs") created prior to February 1, 2003 may be accounted for under FIN 46 or FIN 46 Revised's provisions no later than the fourth quarter of fiscal 2003. Non-SPEs created prior to February 1, 2003, should be accounted for under FIN 46 Revised's provisions no later than the end of the first reporting period that ends after March 15, 2004.

FIN 46R requires consolidation of VIEs by business enterprises considered to be the primary beneficiary of the VIE. The primary beneficiary of a VIE is the party that absorbs a majority of the entity's expected losses, receives a majority of its expected residual returns, or both, as a result of holding variable interests, which are ownership, contractual, or other pecuniary interests in an entity. The primary beneficiary is required to consolidate the assets, liabilities, and results of the activities of the VIE. FIN 46R requires additional disclosures relating to transactions involving VIEs to be made by primary beneficiaries and enterprises holding significant variable interests in VIEs.

The Ebel business has not identified any variable interests in VIEs that would require consolidation under FIN 46R and believes the application of FIN 46R will not have any effect on its combined financial statements.

Pro forma financial information.

The following sets forth pro forma combined financial information derived from (i) the audited consolidated financial statements of Movado Group, Inc. (the "Company" or "Movado") for the fiscal year ended January 31, 2004 and (ii) the audited combined financial statements of the Ebel Business ("Ebel") for the fiscal year ended December 31, 2003, which have been included in this Current Report on Form 8-K/A. The unaudited pro forma combined balance sheet as of January 31, 2004 combines the consolidated balance sheet of Movado and the combined balance sheet of Ebel, and has been adjusted to give pro forma effect to the acquisition of Ebel as if it had occurred on January 31, 2004. The unaudited combined pro forma statement of operations for the year ended January 31, 2004 combines the consolidated statement of operations of Movado and the combined statement of operations of Ebel and has been adjusted to give pro forma effect to the acquisition of Ebel as if it had occurred on February 1, 2003.

Ebel's combined financial statements, from which this pro forma combined financial information is derived, were prepared in accordance with accounting principles generally accepted in France ("French GAAP"), which differ in certain material respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). The adjustments have been made within the pro forma financial information to conform the Ebel financial statements to U.S. GAAP. Significant differences between French GAAP and U.S. GAAP, as they relate to Ebel, include, among other things:

- Under French GAAP and, effective January 1, 2002, under U.S. GAAP, the Ebel brand is to be carried at cost without being amortized. An impairment test is required to be performed on an annual basis and upon certain triggering events, with any impairment being immediately recognized as an expense. Prior to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS, on January 1, 2002, the Ebel brand would have been subject to amortization under U.S. GAAP.

- French GAAP does not allow for the recognition of deferred tax liabilities on acquired brands, while U.S. GAAP requires the recognition of deferred tax liabilities on acquired brands.

- French GAAP allows for recording the projected cost of restructuring plans, including termination benefits, when the appropriate level of management approved such plans on a general level. U.S. GAAP only allows for the recording of these types of restructuring costs when certain specified conditions are satisfied, including the specific identification of activities and notifications to affected employees.

- French GAAP requires the revaluation of foreign exchange derivative contracts using the year-end exchange rates with unrealized gains and losses being deferred if the instruments are designated as hedge instruments. U.S. GAAP requires foreign exchange derivative contracts to be recorded at fair value and unrealized gains and losses can only be deferred if certain formal documentation requirements are met as defined by SFAS 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, as amended.

- Under French GAAP, deferred tax assets arising from tax losses are not recognized when their recovery is not deemed probable. Under U.S. GAAP, deferred tax assets arising from tax losses would have been recorded, but if their recovery were not deemed probable would have been completely offset by recorded valuation allowances.

- French GAAP requires the recognition of a reserve for estimated sales returns. Under U.S. GAAP, in accordance with SFAS No. 48, REVENUE RECOGNITION WHEN RIGHT OF RETURN EXISTS, sales and cost of sales reported in the income statement would be reduced to reflect estimated future returns.

The Ebel combined financial statements were prepared in Euros and have been translated to U.S. dollars at the appropriate exchange rates. Material non-recurring acquisition and integration expenses and related tax effects directly resulting from and which will be incurred in the twelve months following the transaction have been excluded from the unaudited pro forma combined statement of operations. Certain reclassifications were made to the Ebel combined financial statements to conform them to Movado's presentation.

The acquisition of Ebel will be accounted for under the purchase method of accounting. Under this method, the purchase price will be allocated to the assets acquired and liabilities assumed based on their estimated fair values. For purposes of this pro forma information, the total purchase price was estimated to be $44.5 million and preliminary estimates were made regarding the fair value of acquired assets and liabilities. The actual fair values may vary from the preliminary estimates.

The following pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of (i) results of operations that would have been achieved had the acquisition taken place on February 1, 2003, (ii) the financial position of Movado had the acquisition taken place on January 31, 2004 or (iii) the future operations of Movado.

The following pro forma financial information should be read in conjunction with:

- The accompanying Notes to Unaudited Pro Forma Combined Financial Statements;

- Movado's audited consolidated financial statements, related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended January 31, 2004, contained in Movado's Annual Report on Form 10-K; and

- The audited combined financial statements as of December 31, 2003, 2002 and 2001 and for each of the three years in the period ended December 31, 2003 of Ebel, including the notes thereto, included in this Current Report on Form 8-K/A.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JANUARY 31, 2004
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Movado	Ebel (a)(b)	Movado and Ebel Adjustments	Movado and Ebel Pro Forma Combined (i)
Net sales	$ 330,214	$ 59,288	$ --	$ 389,502
Costs and expenses:				
Cost of sales	129,908	40,108	(478)(c)	169,538
Selling, general and administrative	165,525	43,156	(122)(c) 101 (d)	208,660
Brand impairment	--	117,530	(117,530)(e)	--
	295,433	200,794	(118,029)	378,198
Operating income	34,781	(141,506)	118,029	11,304
Interest expense, net	3,044	1,623	(1,294)(f)	3,373
Other expense (income), net	--	(220)	--	(220)
	3,044	1,403	(1,294)	3,153
Income (loss) before taxes	31,737	(142,909)	119,323	8,151
Provision (benefit) for income taxes	8,886	(22,481)	22,297 (e) 341 (g)	9,043 (h)
Net income (loss)	$ 22,851	$ (120,428)	$ 96,685	$ (892)
Earnings per share				
Basic	$ 1.90			$(0.07)
Diluted	$ 1.84			$(0.07)
Weighted average shares outstanding				
Basic	12,050			12,050
Diluted	12,439			12,439

See Notes to the Unaudited Pro Forma Combined Statement of Operations

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE FISCAL YEAR ENDED JANUARY 31, 2004

Ebel amounts have been translated into U.S. dollars at a rate of EUR 0.885 = US$1.00, the average daily exchange rate for the year ended December 31, 2003.

(a) For purposes of the Unaudited Pro Forma Combined Statement of Operations, the twelve months ended December 31, 2003 for Ebel have been combined with the twelve months ended January 31, 2004 for Movado to represent the Unaudited Pro Forma Combined Statement of Operations for the year ended January 31, 2004.

(b) Ebel's combined statement of operations was prepared in accordance with French GAAP, which differs in certain material respects from U.S. GAAP. Ebel also classified certain costs differently than Movado in its consolidated statement of operations. The following schedule summarizes the material adjustments to conform the Ebel combined statement of operations for the year ended December 31, 2003 to U.S. GAAP and to reclassify certain costs to Movado's basis of presentation.

In thousAnds	Ebel As Reported (Condensed)	Ebel U.S. GAAP and Reclassification Adjustments		Ebel Adjusted	Ebel Adjusted
	(EUR)	(EUR)		(EUR)	(US$)
Net sales	55,906	(3,412)	(i)	52,494	$ 59,288
Costs and expenses:					
Cost of sales	35,194	318	(ii)	35,512	40,108
Selling, general and administrative	36,701	1,509	(iii)	38,210	43,156
Brand impairment	--	104,061	(iv)	104,061	117,530
	71,895	105,888		177,783	200,794
Operating loss	(15,989)	(109,300)		(125,289)	(141,506)
Interest expense, net	1,437	--		1,437	1,623
Other expense (income), net	120,992	(121,187)	(v)	(195)	(220)
	122,429	(121,187)		1,242	1,403
Income (loss) before taxes	(138,418)	11,887		(126,531)	(142,909)
Provision (benefit) for income taxes	(163)	(19,742)	(vi)	(19,905)	(22,481)
Net income (loss)	(138,255)	31,629		(106,626)	$ (120,428)

		(EUR 000's)
(i)	Reclassification of cooperative advertising to conform with U.S. GAAP requirements	(3,244)
	U.S. GAAP adjustment to adjust sales to reflect a reserve for estimated expected future sales returns	(168)
		(3,412)
(ii)	Reclassification of shipping and handling costs to conform with U.S. GAAP requirements	353
	U.S. GAAP adjustment to adjust cost of sales to reflect the reserve for estimated expected future sales returns	(35)
		318
(iii)	U.S. GAAP adjustment to reflect reorganization costs that were not eligible for purchase accounting	4,187
	Reclassification of cooperative advertising to conform with U.S. GAAP requirements	(3,244)
	Reclassification of shipping and handling costs to conform with U.S. GAAP requirements	(353)
	Reclassification of certain income or expense to conform with U.S. GAAP requirements	919
		1,509
(iv)	Reclassification of brand impairment to conform with U.S. GAAP requirements	120,078
	U.S. GAAP adjustment to reflect lower carrying value of the brand asset resulting from amortization under U.S. GAAP prior to January 1, 2004 and the non-recognition of certain restructuring reserves in purchase accounting under U.S. GAAP	(16,017)
		104,061
(v)	Reclassification of brand impairment to conform with U.S. GAAP requirements	(120,078)
	U.S. GAAP adjustment to reflect the fair value of all derivative instruments as Ebel does not comply with all requirements regarding documentation under SFAS 133	(190)
	Reclassification of certain income or expense to conform with U.S. GAAP requirements	(919)
		(121,187)
(vi)	U.S. GAAP adjustment to reflect the deferred tax benefit resulting from the brand impairment charge	(19,742)

(c) Reflects an estimated decrease in depreciation expense resulting from the step-down of property, plant and equipment to their respective fair values, as required by SFAS No. 141.

(d) Reflects the amortization of identifiable intangible assets over their estimated average useful life of approximately five years.

(e) Reflects the elimination of the brand impairment charge and its deferred tax benefit to reflect Movado's basis in intangible assets.

(f) Reflects the adjustment to reduce interest expense related to debt not assumed by Movado.

(g) Reflects the estimated income tax effect of Movado's pro forma adjustments, excluding the brand impairment charge (see footnote (e) above), using an estimated statutory tax rate of 19%.

(h) On a pro forma basis, Movado's effective tax rate is in excess of 100%. This rate reflects the non-recognition of the deferred tax benefit of Ebel's losses due to an establishment of a full valuation allowance, as their recovery was not deemed probable. The pro forma effective tax rate represents Movado's best estimate using the information available, and is subject to change.

(i) The objective of the pro forma information provided herein is to provide information about the continuing impact of the acquisition by showing how it might have affected historical operating results if the acquisition had

been consummated at the beginning of the most recent full fiscal year. As such, charges directly resulting from the transaction are necessarily excluded from the unaudited pro forma combined statement of operations. Movado expects to incur non-recurring charges directly resulting from the transaction within the twelve months following the transaction, estimated as follows:

In thousands	(US$)	
Reversal of inventory step-up	$ 195	(i)
Integration costs	750	(ii)
Transition service costs	1,100	(iii)
Additional redundancy costs	1,100	(iv)
Total impact on operating income	$ 3,145	

(i) The estimated step-up of inventories to their respective fair values, as required by SFAS No. 141, results in an increase in cost of products sold as the inventory is sold to third party customers, which is expected to occur within the twelve month period following the transaction. Movado continues to refine its estimate of replacement costs for acquired raw materials. Accordingly, the fair value adjustment to inventory and the resulting non-recurring impact to operating income may change.

(ii) Represents estimated incremental costs incurred in connection with integration activities. These costs include the migration of information systems, legal and accounting support and internal travel costs incurred in the due diligence and integration process.

(iii) Represents estimated contractual transition service fees for certain administrative functions, such as accounting and information technology support. Movado expects that these administrative functions will be absorbed into its existing organization without substantial additional cost.

(iv) In addition to severance, in certain instances, Movado is legally required to provide employees with a notice period before they are severed. This amount represents the estimated nonrecurring personnel cost for certain employees between the acquisition date and their actual termination date. Such costs are not included in the estimated restructuring liability included within purchase accounting.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET
JANUARY 31, 2004
(DOLLARS IN THOUSANDS)

	Movado	Ebel (a)(b)	Adjustments		Movado and Ebel Pro Forma Combined
ASSETS					
Current assets:					
Cash	$ 82,083	$ 1,905	$ (44,478)	(c)	$ 39,510
Trade receivables, net	88,800	21,937	--		110,737
Inventories, net	121,678	38,234	195	(c)	160,107
Other	27,932	4,693	--		32,625
Total current assets	320,493	66,769	(44,283)		342,979
Property, plant and equipment, net	42,112	11,348	(6,801)	(c)	46,659
Other assets	28,362	241	5,681	(c)	34,284
Total assets	$ 390,967	$ 78,358	$ (45,403)		$ 423,922
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 10,000	$ 56	$ 5,253	(d)	$ 15,309
Accounts payable	23,631	7,349	--		30,980
Accrued payroll and benefits	8,033	1,907	--		9,940
Accrued liabilities	17,748	8,521	4,797	(c)	31,066
Current taxes payable	12,150	87	--		12,237
Deferred income taxes	5,961	146	--		6,107
Total current liabilities	77,523	18,066	10,050		105,639
Long-term debt	25,000	5,253	(5,253)	(d)	25,000
Deferred and noncurrent income taxes	2,282	--	--		2,282
Other liabilities	11,449	4,839	--		16,288
Shareholders' equity:					
Preferred stock	--	--	--		--
Common stock	109	--	--		109
Class A common stock	34	--	--		34
Capital in excess of par value	89,491	--	--		89,491
Retained earnings	192,601	51,538	(51,538)	(e)	192,601
Accumulated other comprehensive income (loss)	34,473	(1,338)	1,338	(e)	34,473
Treasury stock, at cost	(41,995)	--	--		(41,995)
Total shareholders' equity	274,713	50,200	(50,200)		274,713
Total liabilities and shareholders' equity	$ 390,967	$ 78,358	$ (45,403)		$ 423,922

See Notes to the Unaudited Pro Forma Combined Balance Sheet

NOTES TO UNAUDITED PRO FORMA COMBINED BALANCE SHEET
JANUARY 31, 2004

Ebel amounts have been translated into U.S. dollars at the December 31, 2003 exchange rate of EUR 0.797 = US$1.00.

(a) For purposes of the Unaudited Pro Forma Combined Balance Sheet, the balance sheet as of December 31, 2003 for Ebel has been combined with the balance sheet as of January 31, 2004 for Movado to represent the Unaudited Pro Forma Combined Balance Sheet as of January 31, 2004.

(b) Ebel's combined balance sheet was prepared in accordance with French GAAP, which differs in certain material respects from U.S. GAAP. Ebel also classified certain amounts differently than Movado in its combined balance sheet. The following schedule summarizes the material adjustments to conform the Ebel combined balance sheet as of December 31, 2003 to U.S. GAAP and to reclassify certain amounts to Movado's basis of presentation.

In thousands	Ebel As Reported (Condensed)	Ebel U.S. GAAP and Reclass-ification Adjustments		Ebel After U.S. GAAP and Reclass-ification Adjustments	Excluded Assets and Liabilities(vi)	Ebel Adjusted	Ebel Adjusted
ASSETS	(EUR)	(EUR)		(EUR)	(EUR)	(EUR)	(US$)
Current assets:							
Cash	5,047			5,047	(3,529)	1,518	$ 1,905
Trade receivables, net	18,341			18,341	(864)	17,477	21,937
Inventories, net	30,280	479	(v)	30,759	(298)	30,461	38,234
Other	4,935	603	(i)	5,538	(1,799)	3,739	4,693
Total current assets	58,603	1,082		59,685	(6,490)	53,195	66,769
Property, plant and equipment, net	9,124	--		9,124	(83)	9,041	11,348
Other assets	365	--		365	(173)	192	241
Total assets	68,092	1,082		69,174	(6,746)	62,428	$ 78,358
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current liabilities:							
Short-term borrowings	75,781	--		75,781	(75,781)	--	$ --
Current portion of long-term debt	45	--		45	--	45	56
Accounts payable	6,797	--		6,797	(942)	5,855	7,349
Accrued payroll and benefits	--	1,519	(iii)	1,519	--	1,519	1,907
Accrued liabilities	8,117	(1,519)	(iii)				
		2,293	(v)	8,891	(2,102)	6,789	8,521
Current taxes payable	141			141	(72)	69	87
Deferred income taxes	--	116	(ii)	116	--	116	146
Total current liabilities	90,881	2,409		93,290	(78,897)	14,393	18,066
Long-term debt	4,185	--		4,185	--	4,185	5,253
Deferred and noncurrent income taxes	--	--		--	--	--	--
Other liabilities	3,953	--		3,953	(98)	3,855	4,839
Shareholders' equity:							
Preferred stock	--	--		--	--	--	--
Common stock	--	--		--	--	--	--
Class A common stock	--	--		--	--	--	--
Capital in excess of par value	--	--		--	--	--	--
Funds allocated by the owner	131,055	(131,055)	(iv)	--	--	--	--
Retained earnings	(160,916)	603	(i)				
		(116)	(ii)				
		(1,814)	(v)				
		131,055	(v)	(31,188)	72,249	41,061	51,538
Accumulated other comprehensive income (loss)	(1,066)	--		(1,066)	--	(1,066)	(1,338)
Treasury stock, at cost	--	--		--	--	--	--
Total shareholders' equity	(30,927)	(1,327)		(32,254)	72,249	39,995	50,200
Total liabilities and shareholders' equity	68,092	1,082		69,174	(6,746)	62,428	$ 78,358

(i) U.S. GAAP adjustment to record foreign exchange derivative instruments at their fair value.

(ii) U.S. GAAP adjustment to reflect the deferred tax liability on foreign exchange derivative instruments recorded at their fair value.

(iii) Reclassification of accrued payroll and benefits from accrued liabilities to conform with Movado's classification.

(iv) Reclassification of "Funds allocated by the owner" to retained earnings to conform with Movado's classification.

(v) U.S. GAAP adjustment to record a reserve for estimated expected future sales returns.

(vi) Reflects the estimate of the assets and liabilities included within the Ebel financial statements that were not acquired by Movado under the terms of the Share Purchase and Transfer of Assets and Liabilities Agreement. The adjustments represent the exclusion of (1) all intercompany balances between Ebel and LVMH and its subsidiaries, (2) balances related to entities that were transferred to LVMH prior to Closing, (3) certain balances at Ebel subsidiaries, such as cash, prepaid assets and taxes payable, where the acquisition was structured as an asset purchase and (4) other agreed upon excluded balances.

(c) The acquisition of Ebel will be accounted for as a purchase in accordance with SFAS No. 141, BUSINESS COMBINATIONS. Under purchase accounting, the estimated acquisition consideration will be allocated to Ebel's assets, including identifiable intangible assets with indefinite lives, which will be evaluated for impairment on an annual basis, and identified intangible assets with finite lives, which will be amortized over those lives, and liabilities based on their relative fair values. Based on our preliminary purchase price allocation, the fair value of assets acquired and liabilities assumed exceeds the acquisition cost of Ebel. That excess has been allocated as a pro rata reduction of the amounts that otherwise would have been assigned to all of the acquired assets except for certain specific types of assets as set forth in SFAS No. 141. The pro forma adjustments were based upon a preliminary assessment of value by management of the tangible and intangible assets. The final purchase price allocation may include an adjustment of the total consideration as well as an adjustment to the estimate of the fair value of acquired assets and assumed liabilities.

In thousands	Fair Value of Acquired Assets	Excess Value Over Estimated Purchase Price	Adjusted Fair Value of Acquired Assets	
Purchase price allocated to:				
Acquired net assets of Ebel at December 31, 2003 (see footnote b)	$ 50,200	$ (133)	$ 50,067	(i)
Add (subtract) fair value adjustments:				
Estimated increase in inventory to fair value	195	--	195	
Estimated decrease in property, plant and equipment to fair value	(2,931)	(3,870)	(6,801)	
Recognition of the estimated fair value of intangible assets subject to amortization	1,127	(622)	505	(ii)
Recognition of the estimated fair value of intangible assets with indefinite useful lives resulting from the acquisition	11,840	(6,531)	5,309	(ii)
Estimated restructuring liability	(4,378)	--	(4,378)	(iii)
Estimated contractual liability to settle warranty backlog	(419)	--	(419)	(iv)
Estimated fair value of the acquired net operating loss carry forward	--	--	--	(v)
Estimated deferred tax impact of purchase accounting adjustments	--	--	--	(vi)
Total adjustments	5,434	(11,156)	(5,589)	
Estimated fair value of acquired net tangible and intangible assets	55,634	(11,156)	44,478	
Estimated purchase price of acquired net tangible and intangible assets	44,478	--	44,478	(vii)
Excess fair value over estimated purchase price	$ 11,156	$ (11,156)	$ --	

(i) Included in acquired net assets are $0.2 million of non-current assets, which have been adjusted as part of the pro rata allocation of the excess value of assets acquired and liabilities assumed over the acquisition cost of Ebel.

(ii) Intangible assets are adjusted to reflect an estimated allocation of (i) approximately $5.3 million to brand assets encompassing the trademarks and trade names of Ebel, which are considered to have indefinite useful lives, and (ii) approximately $0.5 million to customer related intangible assets which represents the value of relationships with customers that are expected to have a useful life of five years.

(iii) Represents the recognition of a liability assumed in connection with the acquisition of Ebel. The liability is comprised of approximately $2.2 million for employee severance, $0.1 million for lease terminations, $1.7 million for exit costs related to certain promotional and purchase contracts and $0.4 million of other liabilities.

(iv) Represents an estimated incremental contractual liability to engage a third party to service the acquired backlog of warranty claims.

(v) As of December 31, 2003, there were deferred tax assets resulting from Ebel's net operating loss carry forwards of approximately Swiss Francs (CHF) 186.7 million. Movado established a full valuation allowance on these deferred tax assets, however, if these deferred tax assets are subsequently recognized, the recognition of the tax benefit will be applied to reduce the carrying value of acquired intangible assets to zero, prior to being recognized as a reduction of income tax expense. As of Closing, Movado expects the net operating loss carry forwards to approximate CHF 75 million, for which a full valuation allowance will be established.

(vi) Reflects the estimated income tax effect of Movado's purchase price adjustments above using a statutory tax rate of 19%. The purchase price adjustments result in net current and non-current deferred tax assets of $0.6 million and $1.6 million, respectively. Movado has recorded a full valuation allowance on these deferred tax assets.

(vii) Reflects the estimated acquisition consideration calculated as follows:

In thousands	(US$)	
Cash consideration	$ 44,200	(1)
Estimated purchase price adjustment	(4,402)	(2)
Estimated direct acquisition costs	4,680	
Total estimated purchase price	$ 44,478	

(1) Represents a total cash consideration of CHF 61.5 million less assumed debt of CHF 6.6 million. Converted at the December 31, 2003 exchange rate of CHF 1.242 = US$1.00, the cash consideration approximates $44.2 million.

(2) In accordance with the terms of the Share Purchase and Transfer of Assets and Liabilities Agreement, the purchase price will be reduced to the extent that acquired net assets, before U.S. GAAP adjustments and excluding the assumed mortgage of CHF 6.6 million, equals less than CHF 76.5 million.

(d) Represents the reclassification of assumed debt to current liabilities to reflect Movado's intent to settle this liability within the next twelve months.

(e) Reflects the elimination of Ebel's historical retained earnings and other equity accounts pursuant to the application of purchase accounting in accordance with SFAS No. 141.