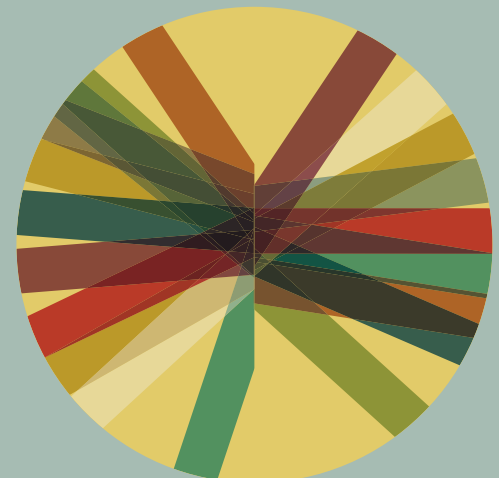
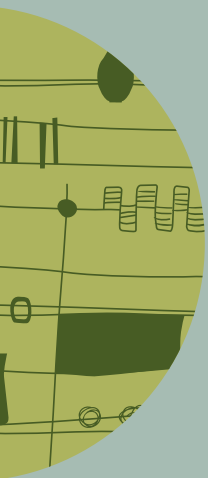
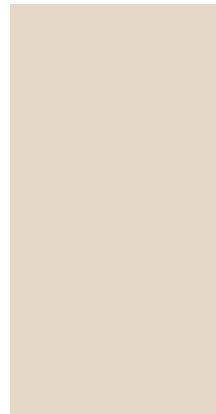




FOSSIL

2 0 0 7 A N N U A L R E P O R T

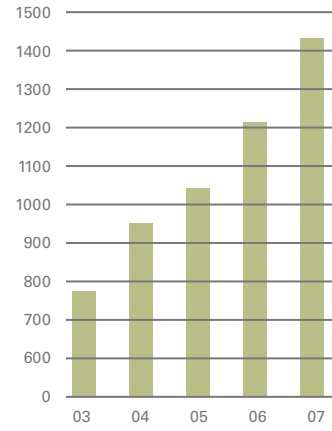




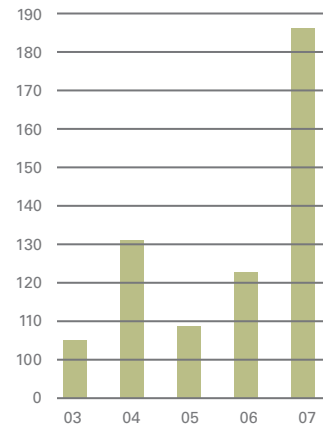
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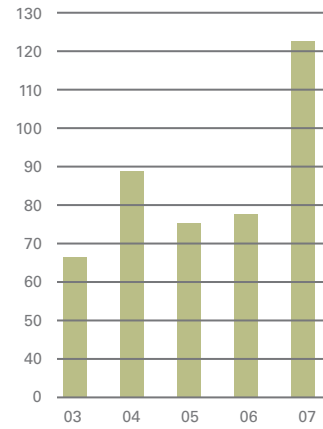
NET SALES
(in millions of dollars)



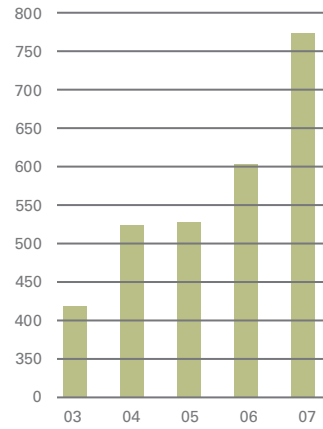
OPERATING INCOME
(in millions of dollars)



NET INCOME
(in millions of dollars)



STOCKHOLDERS' EQUITY
(in millions of dollars)



FINANCIAL HIGHLIGHTS

Fiscal Year	2007	2006	2005	2004	2003
<i>IN THOUSANDS, EXCEPT PER SHARE DATA</i>					
Net sales.....	\$ 1,432,984	\$ 1,213,965	\$ 1,043,120	\$ 957,309	\$ 781,175
Gross profit.....	742,031	608,919	535,140	502,610	398,018
Operating income.....	186,485	123,325	108,988	130,744	105,645
Income before taxes.....	187,526	118,795	102,948	136,208	106,492
Net income.....	123,261(1)	77,582	75,670(2)	89,545(3)	66,076
Earnings per share:(4)					
Basic.....	1.81(1)	1.15	1.07(2)	1.27(3)	0.95
Diluted.....	1.75(1)	1.13	1.04(2)	1.23(3)	0.92
Weighted average common and common equivalent shares outstanding:(4)					
Basic.....	68,213	67,177	70,476	70,367	69,591
Diluted.....	70,333	68,817	72,424	72,998	71,935
Working capital.....	\$ 546,410	\$ 357,608	\$ 326,502	\$ 369,864	\$ 311,709
Total assets.....	1,122,628	852,597	745,142	783,423	587,738
Total long-term liabilities.....	66,432	22,914	35,628	43,539	32,861
Stockholders' equity.....	771,662	602,201	526,317	524,426	422,974
Return on average stockholders' equity.....	18.3%	14.2%	14.0%	19.2%	17.8%

(1) Includes \$8.6 million in expenses, net of tax, relating to our voluntary evaluation of our accounting for equity-based compensation, including the appropriateness of accounting measurement dates used to determine the amounts of compensation charges and related tax effects which have been previously disclosed in filings with the U.S. Securities and Exchange Commission.

(2) Includes a one time tax benefit of \$12 million related to the repatriation of subsidiary earnings which were not considered permanently invested pursuant to the American Jobs Creation Act of 2004.

(3) Includes one time after tax charges related to cumulative rent expense adjustments and settlement of a supplier claim of \$2.0 million and \$550,000 respectively.

(4) All share and per share price data have been adjusted to reflect three-for-two stock splits effected in the form of a stock dividend paid on April 8, 2004.

LETTER TO STOCKHOLDERS

Dear Stockholders,

Successful execution of our key strategic initiatives resulted in record sales and earnings during fiscal 2007. Net sales of \$1.4 billion and net income of \$123 million continue to demonstrate the advantages of our global operating platform, compelling brands and commitment to operational excellence. The 18% increase in net sales, coupled with improved gross margins and SG&A leverage, resulted in 13% operating margins and a 55% rise in diluted earnings per share. Our powerful portfolio of brands continues to provide us with new points of distribution, allowing us to maximize sales growth for our owned and licensed watch and accessory businesses in both new and existing markets.

During 2007, our key strategic initiatives included:

- » Expanding the FOSSIL brand,
- » Increasing our global footprint,
- » Accelerating growth in our direct to consumer segment, and
- » Improving our operating margin performance.

Expanding the FOSSIL Brand

During fiscal 2007 we continued our initiative to reposition the FOSSIL brand toward a modern vintage styling by introducing more contemporary watches and accessories and by focusing the point of view of the brand to a slightly older core customer. We grew our market share, increasing FOSSIL sales by 14% globally, in part because we were able to attract a broader base of customers with innovative and desirable styles. In the fall, we launched FOSSIL FIFTY FOUR, a collection of handbags ranging in price from \$250 to \$450. We believe the success of the FOSSIL FIFTY FOUR launch demonstrated the appeal of the FOSSIL brand at higher price points. In addition, we expanded FOSSIL into other product categories by launching cold weather gear and a jewelry line tailored to the U.S. consumer during the second half of the year.

Increasing our Global Footprint

Our focus on global growth resulted in a significant milestone for our company, with more than 50% of our net sales being generated outside the U.S. during fiscal 2007. We accomplished this by opening new points of distribution and maximizing sales growth for our owned and licensed watch and jewelry brands in both existing and new markets. Our ability to offer a full range of brands, price points and styles to watch and jewelry stores internationally is paying strong dividends. In late 2006, we added a distribution office in China and in 2007 we opened distribution offices in Korea and India. We expect these developing markets to be meaningful to our future growth plans. With very low penetration rates in many of the countries within this segment, our recent expansion of our direct to consumer model in some of these markets and the significant retail development occurring in these regions, our growth expectations for this area continue to be high.

Accelerating Growth in our Direct to Consumer Segment

During fiscal 2007 we grew our direct to consumer segment by opening 46 new doors (net of closings) and by expanding our e-commerce businesses internationally. This segment of our business allows us to showcase our brand and heighten demand in new geographies, paving the way for sales growth in our wholesale channel. Total direct to consumer sales increased by 16% for the year, and we ended the year with 244 stores. We experienced comparable store sales growth of 6% in our FOSSIL accessory store format, which we have identified as a major initiative going forward. At year end, we operated 113 accessory stores, 55 of which are outside the U.S. These stores are a highly profitable opportunity given our initial product mark-up, and we are able to control all aspects of the brand from design to in-store presentation and client service. Our goal is to open between 80 to 85 accessory stores in 2008, approximately half of which are expected to be in international markets.

Improving our Operating Margin Performance

During fiscal 2007 our efforts to improve operating margin performance centered on three initiatives:

- » Increasing our product margins,
- » Managing our inventory levels, and
- » Leveraging our infrastructure.

Significant emphasis was placed upon collaboration between our product and design teams and component suppliers to ensure new styles delivered during 2007 were being engineered to meet our margin criteria without sacrificing quality. Our continuing efforts to manage inventory more strictly and reduce our discontinued inventory composition also positively impacted our year over year gross margin performance. We were also able to leverage significant infrastructure additions made over the last several years, reduce our spending on marketing to more effective initiatives and manage our headcount needs. As a result, excluding certain non-recurring expenses, we were able to improve our operating margin performance by 370 basis points in comparison to the prior year.

In summary, we believe that our distinctive business model of owning our distribution in key markets and offering a portfolio of owned and licensed global brands allows for many competitive advantages while providing us with a sustained platform for growth. This, along with the growing demand for our brands across our watch and accessory categories, has us well positioned as we begin fiscal 2008. We would like to thank our employees worldwide, our customers, suppliers and our stockholders for their continued support and dedication.

Sincerely,



Tom Kartsotis
Chairman



Kosta N. Kartsotis
Chief Executive Officer



Michael W. Barnes
President and Chief Operating Officer

CORPORATE INFORMATION

EXECUTIVE OFFICERS AND DIRECTORS

Tom Kartsotis
Chairman of the Board

Kosta N. Kartsotis
Chief Executive Officer
and Director

Michael W. Barnes
President,
Chief Operating
Officer and Director

Jal S. Shroff
Managing Director –
Fossil East and Director

Livio Galanti
Executive Vice President

Mike L. Kovar
Executive Vice President,
Chief Financial Officer
and Treasurer

Jennifer Pritchard
President,
Retail Division

Mark D. Quick
Vice Chairman

Elaine Agather
Director

Kenneth W. Anderson
Director

Jeffrey N. Boyer
Director

Alan J. Gold
Director

Elysia Holt Ragusa
Director

James E. Skinner
Director

Michael Steinberg
Director

Donald J. Stone
Director

James M. Zimmerman
Director

CORPORATE INFORMATION

Transfer Agent and Registrar:
Mellon Investor Services LLC
P O Box 358015
Pittsburgh, PA 15252-8015

Principal Independent Auditors:
Deloitte & Touche LLP
2200 Ross Avenue
Dallas, TX 75201

Corporate Counsel:
Haynes and Boone, LLP
901 Main Street
Suite 3100
Dallas, TX 75202

OUR WEBSITE

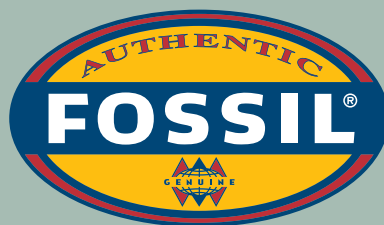
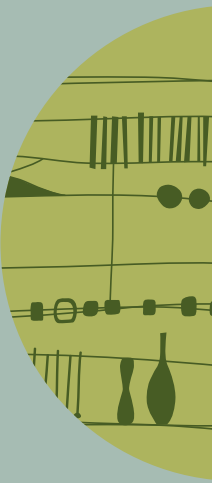
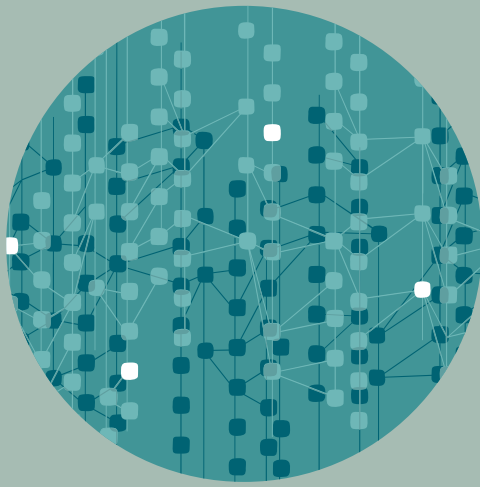
The Company maintains a website at the worldwide internet address of www.fossil.com. Certain product, event, and investor relations information concerning the Company is available at the site.

ANNUAL MEETING

The Annual Meeting of Stockholders will be held on Wednesday, May 21, 2008, at 9:00 am at the Company's headquarters, 2280 N. Greenville Ave., Richardson, Texas.

COMPANY INFORMATION

A copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, and the Annual Report to Stockholders, in addition to other Company information, is available to stockholders without charge upon written request to Fossil, Investor Relations, 2280 N. Greenville Ave., Richardson, Texas 75082-4412, or online at www.fossil.com.



what Vintage are you?

www.fossil.com

