OPERATING INCOME
(in millions of dollars)

NET SALES
(in millions of dollars)

NET INCOME
(in millions of dollars)

STOCKHOLDERS’ EQUITY
(in millions of dollars)
## FINANCIAL HIGHLIGHTS

<table>
<thead>
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<tbody>
<tr>
<td>Net sales</td>
<td>$1,583,242</td>
<td>$1,432,984</td>
<td>$1,213,965</td>
<td>$1,043,120</td>
<td>$957,309</td>
</tr>
<tr>
<td>Gross profit</td>
<td>851,151</td>
<td>742,031</td>
<td>608,919</td>
<td>535,140</td>
<td>502,610</td>
</tr>
<tr>
<td>Operating income</td>
<td>205,770</td>
<td>186,485</td>
<td>123,325</td>
<td>108,988</td>
<td>130,744</td>
</tr>
<tr>
<td>Income before taxes</td>
<td>189,429</td>
<td>187,526</td>
<td>118,795</td>
<td>102,948</td>
<td>136,208</td>
</tr>
<tr>
<td>Net income</td>
<td>138,097 (1)</td>
<td>123,261 (2)</td>
<td>77,582</td>
<td>75,670 (3)</td>
<td>89,545 (4)</td>
</tr>
<tr>
<td>Earnings per share: (5)</td>
<td></td>
<td></td>
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<tr>
<td>Basic</td>
<td>2.05 (1)</td>
<td>1.81 (2)</td>
<td>1.15</td>
<td>1.07 (3)</td>
<td>1.27 (4)</td>
</tr>
<tr>
<td>Diluted</td>
<td>2.02 (1)</td>
<td>1.75 (2)</td>
<td>1.13</td>
<td>1.04 (3)</td>
<td>1.23 (4)</td>
</tr>
<tr>
<td>Weighted average common shares and common equivalent shares outstanding: (5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Basic</td>
<td>67,525</td>
<td>68,213</td>
<td>67,177</td>
<td>70,476</td>
<td>70,367</td>
</tr>
<tr>
<td>Diluted</td>
<td>68,323</td>
<td>70,333</td>
<td>68,817</td>
<td>72,424</td>
<td>72,998</td>
</tr>
<tr>
<td>Working capital</td>
<td>$556,497</td>
<td>$546,410</td>
<td>$357,608</td>
<td>$326,502</td>
<td>$369,864</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,087,296</td>
<td>1,122,628</td>
<td>852,597</td>
<td>745,142</td>
<td>783,423</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>74,964</td>
<td>66,432</td>
<td>22,914</td>
<td>35,628</td>
<td>43,539</td>
</tr>
<tr>
<td>Stockholders’ equity</td>
<td>802,144</td>
<td>771,662</td>
<td>602,201</td>
<td>526,317</td>
<td>524,426</td>
</tr>
<tr>
<td>Return on average stockholders’ equity</td>
<td>17.8 %</td>
<td>18.3 %</td>
<td>14.2 %</td>
<td>14.0 %</td>
<td>19.2 %</td>
</tr>
</tbody>
</table>

(1) Includes $7.3 million in expenses, net of tax, related to the write-down of certain other than temporary investment, fixed asset and intangible asset impairments and a $20.8 million benefit in income tax expense related to the reduction of certain current and long-term tax liabilities in connection with completion of prior year income tax audits.

(2) 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.

(3) Includes a 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.

(4) Includes net of tax charges related to cumulative rent expense adjustments and settlement of a supplier claim of $2.0 million and $550,000 respectively.

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

Dear Stockholders,

Fiscal 2008 represented a year of significant progress for Fossil. Despite a weakening global economy and the negative impact from a strengthening U.S. dollar, we achieved record revenues and earnings while advancing each of our long-term goals. Net sales grew 11% to $1.6 billion, reflecting growth in nearly all operating segments and major product categories and net income increased 12% to $138 million. Double-digit sales growth coupled with gross margin expansion resulted in operating margin of 13% and a 15% rise in diluted earnings per share to $2.02. Our advantageous business model, which is based on the global distribution of compelling, branded, high-margin accessories with relatively high inventory turns and short lead times, continued to drive our positive performance.

During 2008, we advanced each of our key strategic initiatives which included:

» Increasing global demand for the FOSSIL® brand;
» Growing our international presence; and
» Significantly expanding our direct to consumer business.

Growing Global Demand for the FOSSIL Brand.

During fiscal 2008, we generated double-digit sales growth in our FOSSIL brand globally as we continued to gain market share in our core watch and jewelry categories while expanding the presence of our leather businesses outside the U.S. The brand’s modern vintage design and aspirational viewpoint, coupled with our foundational value proposition, has led to increasing consumer demand for FOSSIL in both new and existing geographies. In fiscal 2008, we expanded the brand outside of its core watch and leather categories with continued domestic roll-outs of our accessory jewelry and cold weather lines while also introducing a FOSSIL men’s footwear line late in the year. Additionally, the significant growth of our retail store base globally has been instrumental in advancing the awareness and breadth of the FOSSIL brand.

Increasing our Global Wholesale Distribution Presence.

Our international wholesale business recorded sales growth of 9% for the year in constant currency, with sales in Europe increasing by approximately 7% and other international markets advancing 14%. Almost two-thirds of our wholesale net sales were generated outside the U.S. during fiscal 2008. This growth was achieved through opening new points of distribution, expanding shop-in-shop and concession programs and maximizing sales growth for our owned and licensed watch and jewelry brands in both existing and new markets. With owned distribution in 23 countries around the world, we continue to advance the diversity of our business model thereby increasing opportunities for expansion while mitigating concentration risk.

Significantly Expanding our Direct to Consumer Business.

We made solid progress in growing our direct to consumer business in fiscal 2008 including opening 84 new stores, 79 of which were our FOSSIL full-price accessory concept, and by expanding our e-commerce and catalog businesses. Total direct to consumer sales increased by 21% for the year and grew to represent approximately 20% of our total net sales, up from 18% in fiscal 2007. We experienced comparable store sales growth of 2.3% across all stores and a 2.1% comparable store sales increase in our FOSSIL full-price accessory store format. We ended the year with 191 accessory stores, 104 of which are outside the U.S., 82 outlet stores, 33 apparel stores and 18 multi-brand stores. The growth of our FOSSIL accessory concept continues to be an important initiative for the company. Our accessory stores are a profitable expansion opportunity with strong gross margins.

These stores allow us to control all aspects of the brand, from design, to assortments, to in-store presentation. However, in light of the current economic environment, we have scaled back plans for new store openings during 2009. We have targeted the vast majority of new store openings outside the U.S. given the continued favorable performance overseas and have begun steps to strengthen the four-wall contribution of newly opened stores in the U.S., where we see a big opportunity to drive greater profitability. Currently, we plan to open between 40 to 50 new stores in fiscal 2009, with only four to five of these stores opening in the U.S. Our e-commerce business performed exceptionally during fiscal 2008 with net sales increasing 23%. During the year we updated our U.S.-based site and launched new sites in the U.K., Singapore and Australia. Our German website, launched late in 2007, contributed more than $4 million in sales during fiscal 2008. We believe the combination of stores, websites and catalogs form a measurable means of increasing the awareness and acceptance of the FOSSIL brand globally.

Looking Forward.

Importantly, we began fiscal 2009 in a position of strength. While advancing our market share during fiscal 2008, we have further strengthened relationships with our retail partners around the world. Our financial strength, portfolio of globally recognized watch and jewelry brands and expanding leather businesses position us as a significant and valuable resource to our retail partners given the profitability and consumer awareness our products generate within their environment.

We also have significant financial flexibility with $178 million in cash, modest debt of $10 million and no outstanding borrowings under our $140 revolving credit facility at fiscal year end 2008. In an effort to increase shareholder value, during fiscal 2008 we also utilized $106 million of our cash to repurchase 3.6 million shares of common stock. We believe the benefits of our business model combined with the strength of our balance sheet and positive cash flow generation leaves us well positioned to navigate through difficult economic conditions in 2009.

Finally, we would like to thank our more than 7,000 employees worldwide and our customers, suppliers and 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  
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  
2323 Victory Avenue  
Suite 700  
Dallas, TX 75219

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 20, 2009, 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.