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    <PHONE> (800) 688 - 1933
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: July 5, 2003

OR

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

Commission file number: 0-19848

FOSSIL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

75-2018505
(I.R.S. Employer
Identification No.)

2280 N. Greenville Avenue, Richardson, Texas 75082
(Address of principal executive offices)
(Zip Code)

(972) 234-2525
(Registrant's telephone number, including area code)

Indicate by check mark whether registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of Registrant's common stock outstanding as of August 15, 2003: 46,598,200

PART 1 - FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

FOSSIL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

| | <u>July 5, 2003</u> | <u>January 4, 2003</u> |
|---|-------------------------|----------------------------|
| | (Unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 126,905 | \$ 112,348 |
| Short-term marketable investments | 5,559 | 5,576 |
| Accounts receivable – net | 71,292 | 86,351 |
| Inventories | 118,960 | 121,823 |
| Deferred income tax benefits | 10,463 | 13,597 |
| Prepaid expenses and other current assets | 19,882 | 15,944 |
| | <hr/> | <hr/> |
| Total current assets | 353,061 | 355,639 |
| Investment in joint venture | 2,645 | 1,926 |
| Property, plant and equipment – net | 111,427 | 103,112 |
| Intangible and other assets – net | 22,369 | 21,849 |
| | <hr/> | <hr/> |
| | \$ 489,502 | \$ 482,526 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Notes payable | \$ 2,541 | \$ 2,505 |
| Accounts payable | 22,270 | 32,999 |
| Accrued expenses: | | |
| Co-op advertising | 7,483 | 13,784 |
| Compensation | 9,640 | 11,314 |
| Other | 30,996 | 33,028 |
| Income taxes payable | 19,211 | 20,832 |
| | <hr/> | <hr/> |
| Total current liabilities | 92,141 | 114,462 |
| Deferred income tax liability | 30,606 | 23,599 |
| Minority interest in subsidiaries | 3,627 | 3,924 |
| Stockholders' equity: | | |
| Common stock, 46,656,977 and 46,392,123 shares issued and outstanding, respectively | 466 | 464 |
| Additional paid-in capital | 30,073 | 27,096 |
| Retained earnings | 333,551 | 311,019 |
| Accumulated other comprehensive income | 2,204 | 4,263 |
| Deferred compensation | (3,166) | (2,301) |
| | <hr/> | <hr/> |
| Total stockholders' equity | 363,128 | 340,541 |
| | <hr/> | <hr/> |
| | \$ 489,502 | \$ 482,526 |

See notes to condensed consolidated financial statements.

FOSSIL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
UNAUDITED
(In thousands, except per share amounts)

| | For the 13 Weeks Ended July 5, 2003 | For the 13 Weeks Ended July 6, 2002 | For the 26 Weeks Ended July 5, 2003 | For the 26 Weeks Ended July 6, 2002 |
|--|---|---|---|---|
| Net sales | \$ 159,593 | \$ 142,460 | \$ 329,360 | \$ 286,139 |
| Cost of sales | 77,725 | 70,985 | 161,876 | 143,172 |
| Gross profit | 81,868 | 71,475 | 167,484 | 142,967 |
| Operating expenses: | | | | |
| Selling and distribution | 51,141 | 42,614 | 102,279 | 82,371 |
| General and administrative | 14,529 | 12,692 | 29,185 | 25,164 |
| Total operating expenses | 65,670 | 55,306 | 131,464 | 107,535 |
| Operating income | 16,198 | 16,169 | 36,020 | 35,432 |
| Interest expense | 4 | 15 | 8 | 99 |
| Other income (expense) – net | 512 | (192) | 279 | (4) |
| Income before income taxes | 16,706 | 15,962 | 36,291 | 35,329 |
| Provision for income taxes | 6,317 | 6,224 | 13,759 | 13,777 |
| Net income | \$ 10,389 | \$ 9,738 | \$ 22,532 | \$ 21,552 |
| Other comprehensive income (loss), net of taxes: | | | | |
| Currency translation adjustment | 1,854 | 3,253 | (2,459) | 2,677 |
| Unrealized gain on short-term investments | 148 | 59 | 69 | 48 |
| Forward contracts as hedge of intercompany foreign currency payments: | | | | |
| (Decrease) increase in fair values | (337) | (3,837) | 331 | (3,763) |
| Total comprehensive income | \$ 12,054 | \$ 9,213 | \$ 20,473 | \$ 20,514 |
| Earnings per share: | | | | |
| Basic | \$ 0.22 | \$ 0.21 | \$ 0.48 | \$ 0.47 |
| Diluted | \$ 0.21 | \$ 0.20 | \$ 0.46 | \$ 0.45 |
| Weighted average common shares outstanding: | | | | |
| Basic | 46,546 | 45,944 | 46,479 | 45,727 |
| Diluted | 48,673 | 48,487 | 48,457 | 48,107 |

See notes to condensed consolidated financial statements.

FOSSIL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED
(In thousands)

| | For the 26 Weeks Ended July 5, 2003 | For the 26 Weeks Ended July 6, 2002 |
|---|---|---|
| Operating activities: | | |
| Net income | \$ 22,532 | \$ 21,552 |
| Noncash items affecting net income: | | |
| Minority interest in subsidiaries | 1,353 | 772 |
| Equity in income of joint venture | (719) | (88) |
| Depreciation and amortization | 7,880 | 6,710 |
| Deferred compensation amortization | 413 | 82 |
| Tax benefit derived from exercise of stock options | 1,441 | 2,053 |
| Loss on disposal of assets | 569 | 330 |
| (Decrease) increase in allowance for doubtful accounts | (826) | 1,287 |
| Decrease in allowance for returns - net of related inventory in transit | (1,375) | (276) |
| Deferred income taxes | 12,174 | 4,479 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 18,603 | 3,236 |
| Inventories | 1,520 | (8,144) |
| Prepaid expenses and other current assets | (3,938) | (2,088) |
| Accounts payable | (15,943) | 7,872 |
| Accrued expenses | (10,007) | (3,279) |
| Income taxes payable | (1,621) | (1,941) |
| Net cash from operating activities | <u>32,056</u> | <u>32,557</u> |
| Investing activities: | | |
| Acquisitions, net of cash acquired | (104) | — |
| Additions to property, plant and equipment | (16,907) | (11,226) |
| Proceeds from sale of property, plant and equipment | 231 | — |
| Sale (purchase) of short-term marketable investments | 86 | (200) |
| (Increase) decrease in intangible and other assets | (505) | 389 |
| Net cash used in investing activities | <u>(17,199)</u> | <u>(11,037)</u> |
| Financing activities: | | |
| Proceeds from exercise of stock options | 3,888 | 4,353 |
| Acquisition and retirement of stock | (3,626) | — |
| Distribution of minority interest earnings | (1,650) | (561) |
| Net increase (decrease) in notes payable | 36 | (15,943) |
| Net cash used in financing activities | <u>(1,352)</u> | <u>(12,151)</u> |
| Effect of exchange rate changes on cash and cash equivalents | 1,052 | 1,461 |
| Net increase in cash and cash equivalents | <u>14,557</u> | <u>10,830</u> |
| Cash and cash equivalents: | | |
| Beginning of period | <u>112,348</u> | <u>67,491</u> |
| End of period | <u>\$ 126,905</u> | <u>\$ 78,321</u> |

See notes to condensed consolidated financial statements.

FOSSIL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

1. FINANCIAL STATEMENT POLICIES

Basis of Presentation. The condensed consolidated financial statements include the accounts of Fossil, Inc., a Delaware corporation, and its wholly and majority-owned subsidiaries (the "Company"). The condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to present a fair statement of the Company's financial position as of July 5, 2003, and the results of operations for the thirteen-week periods ended July 5, 2003 and July 6, 2002, respectively and the twenty-six week periods ended July 5, 2003 and July 6, 2002, respectively. All adjustments are of a normal, recurring nature. Reclassification of certain amounts for the thirteen-week and twenty-six week periods ended July 6, 2002, have been made to conform to the presentation for the thirteen-week and twenty-six week periods ended July 5, 2003. These reclassifications did not have a material impact on comparability between the respective periods.

These interim financial statements should be read in conjunction with the audited financial statements and the notes thereto included in Form 10-K filed by the Company pursuant to the Securities Exchange Act of 1934 for the year ended January 4, 2003. Operating results for the thirteen-week and twenty-six week periods ended July 5, 2003, are not necessarily indicative of the results to be achieved for the full year.

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America which require the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the periods reported. Actual results could differ from those estimates. The Company has not made any changes in its critical accounting policies from those disclosed in its most recent annual report.

Business. The Company designs, develops, markets and distributes fashion watches and other accessories, principally under the "FOSSIL" and "RELIC" brands names. The Company's products are sold primarily through department stores and other major retailers, both domestically and in over 90 countries worldwide.

2. STOCK BASED COMPENSATION PLANS

The Company applies the intrinsic value method under Accounting Principles Board Opinion No. 25 and related Interpretations in accounting for its stock option plans. No compensation cost has been recognized for the Company's stock option plans because the quoted market price of the Common Stock at the date of the grant was not in excess of the amount an employee must pay to acquire the Common Stock. SFAS No. 123, "Accounting for Stock-Based Compensation," prescribes a fair value based method to record compensation cost for stock-based employee compensation plans. Pro forma disclosures as if the Company had adopted the fair value recognition requirements under SFAS No. 123 for stock option awards for the thirteen-week and twenty-six week periods ended July 5, 2003, and July 6, 2002, respectively, are presented in the following table.

| <u>(In thousands, except per share data)</u> | <u>For the 13 Weeks Ended July 5, 2003</u> | <u>For the 13 Weeks Ended July 6, 2002</u> | <u>For the 26 Weeks Ended July 5, 2003</u> | <u>For the 26 Weeks Ended July 6, 2002</u> |
|---|--|--|--|--|
| Net income, as reported | \$ 10,389 | \$ 9,738 | \$ 22,532 | \$ 21,552 |
| Fair value based compensation expense, net of taxes | 863 | 948 | 1,727 | 1,895 |
| Pro forma net income | <u>\$ 9,526</u> | <u>\$ 8,790</u> | <u>\$ 20,805</u> | <u>\$ 19,657</u> |
| Basic earnings per share: | | | | |
| As reported | \$ 0.22 | \$ 0.21 | \$ 0.48 | \$ 0.47 |
| Pro forma under SFAS No. 123 | \$ 0.20 | \$ 0.19 | \$ 0.45 | \$ 0.43 |
| Diluted earnings per share: | | | | |
| As reported | \$ 0.21 | \$ 0.20 | \$ 0.46 | \$ 0.45 |
| Pro forma under SFAS No. 123 | \$ 0.20 | \$ 0.18 | \$ 0.43 | \$ 0.41 |

The award of shares under the Company's restricted stock plan are accounted for at fair value, and the resulting deferred compensation is amortized to expense over the related vesting periods.

3. INVENTORIES

Inventories consist of the following:

| <u>(In thousands)</u> | <u>July 5, 2003</u> | <u>January 4, 2003</u> |
|--|-------------------------|----------------------------|
| Components and parts | \$ 7,220 | \$ 9,481 |
| Work-in-process | 2,679 | 2,417 |
| Finished merchandise on hand | 79,287 | 83,462 |
| Merchandise at Company retail stores | 16,091 | 11,430 |
| Merchandise in-transit from estimated customer returns | <u>13,683</u> | <u>15,033</u> |
| | <u>\$ 118,960</u> | <u>\$ 121,823</u> |

4. FOREIGN CURRENCY HEDGING INSTRUMENTS

The Company periodically enters into forward contracts principally to hedge the future payment of intercompany inventory transactions with its non-U.S. subsidiaries. At July 5, 2003, the Company had forward contracts to sell 53.3 million Euro for approximately \$54.8 million, expiring through July 2004 and 2.0 million British Pounds for approximately \$3.2 million, expiring through December 2003. If the Company were to settle its Euro and British Pound based contracts at the reporting dates, the net result would be a net loss of approximately \$3.2 million, net of taxes, as of July 5, 2003. This unrealized loss is recognized in accumulated other comprehensive income. The net increase in fair value for the twenty-six week period ended July 5, 2003, of approximately \$331,000 and net decrease in fair value for the twenty-six week period ended, July 6, 2002, of approximately \$3.8 million, are included in other comprehensive income (loss). The net increase for the twenty-six period ended July 5, 2003 consisted of net losses from these hedges of \$3.2 million less \$3.5 million of net losses reclassified into earnings.

5. SEGMENT AND GEOGRAPHIC INFORMATION
(In thousands)

| | For the 13 Weeks Ended July 5, 2003 | | For the 13 Weeks Ended July 6, 2002 | |
|----------------------------|--|----------------------------|--|----------------------------|
| | Net Sales | Operating Income (Loss) | Net Sales | Operating Income (Loss) |
| U.S.- exclusive of Stores: | | | | |
| External customers | \$ 69,045 | \$ 2,221 | \$ 72,494 | \$ 5,800 |
| Intergeographic | 28,322 | — | 21,081 | — |
| Far East and Export: | | | | |
| External customers | 16,617 | 11,688 | 13,513 | 9,490 |
| Intergeographic | 52,701 | — | 57,239 | — |
| Stores | 23,076 | (417) | 17,958 | (2,675) |
| Europe: | | | | |
| External customers | 50,855 | 2,706 | 38,495 | 3,554 |
| Intergeographic | 3,678 | — | 298 | — |
| Intergeographic items | (84,701) | — | (78,618) | — |
| Consolidated | <u>\$ 159,593</u> | <u>\$ 16,198</u> | <u>\$ 142,460</u> | <u>\$ 16,169</u> |

| | For the 26 Weeks Ended July 5, 2003 | | For the 26 Weeks Ended July 6, 2002 | |
|----------------------------|--|----------------------------|--|----------------------------|
| | Net Sales | Operating Income (Loss) | Net Sales | Operating Income (Loss) |
| U.S.- exclusive of Stores: | | | | |
| External customers | \$ 149,732 | \$ 10,666 | \$ 151,353 | \$ 11,077 |
| Intergeographic | 61,868 | — | 44,271 | — |
| Far East and Export: | | | | |
| External customers | 34,123 | 24,990 | 25,555 | 26,848 |
| Intergeographic | 109,139 | — | 96,779 | — |
| Stores | 39,149 | (4,528) | 32,048 | (7,311) |
| Europe: | | | | |
| External customers | 106,356 | 4,892 | 77,183 | 4,818 |
| Intergeographic | 6,566 | — | 315 | — |
| Intergeographic items | (177,573) | — | (141,365) | — |
| Consolidated | <u>\$ 329,360</u> | <u>\$ 36,020</u> | <u>\$ 286,139</u> | <u>\$ 35,432</u> |

6. EARNINGS PER SHARE

The following table reconciles the numerators and denominators used in the computations of both basic and diluted EPS:

| (In thousands, except per share data) | For the 13 Weeks Ended July 5, 2003 | For the 13 Weeks Ended July 6, 2002 | For the 26 Weeks Ended July 5, 2003 | For the 26 Weeks Ended July 6, 2002 |
|---|--|--|--|--|
| Numerator: | | | | |
| Net income | \$ 10,389 | \$ 9,738 | \$ 22,532 | \$ 21,552 |
| Denominator: | | | | |
| Basic EPS computation: | | | | |
| Weighted average common shares outstanding | 46,546 | 45,944 | 46,479 | 45,727 |
| Basic EPS | \$ 0.22 | \$ 0.21 | \$ 0.48 | \$ 0.47 |
| Diluted EPS computation: | | | | |
| Denominator: | | | | |
| Basic weighted average common shares outstanding | 46,546 | 45,944 | 46,479 | 45,727 |
| Stock option conversion | 2,127 | 2,543 | 1,978 | 2,380 |
| | <u>48,673</u> | <u>48,487</u> | <u>48,457</u> | <u>48,107</u> |
| Diluted EPS | \$ 0.21 | \$ 0.20 | \$ 0.46 | \$ 0.45 |

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the financial condition and results of operations of Fossil, Inc. and its wholly and majority-owned subsidiaries (the "Company") for the thirteen and twenty-six week periods ended July 5, 2003 (the "Second Quarter" and "Year To Date Period," respectively), as compared to the thirteen and twenty-six week periods ended July 6, 2002 (the "Prior Year Quarter" and "Prior Year YTD Period," respectively). This discussion should be read in conjunction with the Condensed Consolidated Financial Statements and the related Notes attached hereto.

General

Fossil is a design, development, marketing and distribution company that specializes in consumer products predicated on fashion and value. The FOSSIL® brand name was developed by the Company to convey a distinctive fashion, quality and value message with a brand image reminiscent of an earlier era that suggests a time of fun, fashion and humor. Since its inception in 1984, the Company has grown from its original flagship FOSSIL watch product into a company offering a diversified range of consumer products. The Company's principle offerings include an extensive line of watches sold under the Company's propriety brands FOSSIL, RELIC®, and ZODIAC® as well as licensed brands for some of the most prestigious companies in the world including EMPORIO ARMANI®, BURBERRY®, DIESEL® and DKNY®. The Company also offers complementary lines of small leather goods, belts, handbags and sunglasses under the FOSSIL and RELIC brands, jewelry under the FOSSIL and EMPORIO ARMANI brands and FOSSIL apparel. The Company's centralized infrastructure in design/development and production/sourcing allows it to leverage the strength of its branded watch portfolio over an extensive global distribution network.

The Company's products are sold primarily to department stores and specialty retail stores in over 90 countries worldwide through Company-owned foreign sales subsidiaries and through a network of over 50 independent distributors. The Company's foreign operations, including distributors, include a presence in Asia, Australia, Canada, the Caribbean, Europe, Japan, Mexico, South Africa, Central and South America and the Middle East. In addition, the Company's products are offered at Company-owned retail locations throughout the United States and in independently-owned, authorized FOSSIL retail stores and kiosks located in several major airports, on cruise ships and in certain international markets. The Company's successful expansion of its product lines worldwide and leveraging of its infrastructure have contributed to its increasing net sales and operating profits during the last five fiscal years.

Second Quarter Highlights

- The Company achieved record Second Quarter net sales of \$159.6 million, a 12% increase over the Prior Year Quarter.
- The Company operated 112 retail locations (50 outlet and 62 full-price) at the end of the Second Quarter, compared to 96 stores (47 outlet and 49 full-price) at the end of the Prior Year Quarter. The Company has added fourteen retail locations, in Europe and Canada, as a result of acquisitions made in the last twelve months. This retail store expansion and 15% same store sales growth generated sales increases of 28% during the Second Quarter.
- Sales generated from the Company's European-based operations grew 32% (12% on a constant Euro basis) including \$1.8 million in sales from recent acquisitions.
- Sales generated from the Company's Far East and Canadian operations increased 28% with strong growth in FOSSIL and licensed watch businesses.
- The Company completed the implementation of SAP in the U.S. which will serve as the Company's principal business software.

Results of Operations

The following table sets forth, for the periods indicated, (i) the percentages of the Company's net sales represented by certain line items from the Company's condensed consolidated statements of income and (ii) the percentage changes in these line items.

| | Percentage of Net Sales | | Percentage Change | Percentage of Net Sales | | Percentage Change |
|-------------------------------------|----------------------------|--------------|---------------------------|----------------------------|--------------|---------------------------|
| | For the 13 Weeks Ended | | For the 13 Weeks Ended | For the 26 Weeks Ended | | For the 26 Weeks Ended |
| | July 5, 2003 | July 6, 2002 | July 5, 2003 | July 5, 2003 | July 6, 2002 | July 5, 2003 |
| Net sales | 100.0% | 100.0% | 12.0% | 100.0% | 100.0% | 15.1% |
| Cost of sales | 48.7 | 49.8 | 9.5 | 49.2 | 50.0 | 13.1 |
| Gross profit | 51.3 | 50.2 | 14.5 | 50.8 | 50.0 | 17.1 |
| Selling and distribution expenses | 32.0 | 29.9 | 20.0 | 31.0 | 28.7 | 24.2 |
| General and administrative expenses | 9.1 | 8.9 | 14.5 | 8.9 | 8.9 | 16.0 |
| Operating income | 10.2 | 11.4 | 0.2 | 10.9 | 12.4 | 1.7 |
| Interest expense | 0.0 | 0.0 | 0.0 | 0.0 | (0.1) | (100.0) |
| Other income (expense) - net | 0.3 | (0.2) | 366.5 | 0.1 | 0.0 | 100.0 |
| Income before income taxes | 10.5 | 11.2 | 4.7 | 11.0 | 12.3 | 2.7 |
| Income taxes | 4.0 | 4.4 | 1.5 | 4.2 | 4.8 | (0.1) |
| Net income | 6.5% | 6.8% | 6.7% | 6.8% | 7.5% | 4.5% |

Net Sales. The following table sets forth certain components of the Company's consolidated net sales and the percentage relationship of the components to consolidated net sales for the periods indicated (in millions, except percentage data):

| | Amounts | | % of Total | |
|------------------------|--|--|--|--|
| | For the 13 Weeks Ended July 5, 2003 | For the 13 Weeks Ended July 6, 2002 | For the 13 Weeks Ended July 5, 2003 | For the 13 Weeks Ended July 6, 2002 |
| | International: | | | |
| Europe | \$ 50.9 | \$ 38.5 | 32% | 27% |
| Other | 16.6 | 13.5 | 10 | 9 |
| Total International | 67.5 | 52.0 | 42 | 36 |
| Domestic: | | | | |
| Watch products | 42.1 | 45.7 | 26 | 32 |
| Other products | 26.9 | 26.8 | 17 | 19 |
| Total Domestic | 69.0 | 72.5 | 43 | 51 |
| Stores | 23.1 | 18.0 | 15 | 13 |
| Total Net Sales | \$ 159.6 | \$ 142.5 | 100% | 100% |

| | Amounts | | % of Total | |
|-----------------------|------------------------|--------------|------------------------|--------------|
| | For the 26 Weeks Ended | | For the 26 Weeks Ended | |
| | July 5, 2003 | July 6, 2002 | July 5, 2003 | July 6, 2002 |
| International: | | | | |
| Europe | \$ 106.4 | \$ 77.1 | 32% | 27% |
| Other | 34.1 | 25.5 | 11 | 9 |
| Total International | 140.5 | 102.6 | 43 | 36 |
| Domestic: | | | | |
| Watch products | 84.9 | 87.9 | 26 | 31 |
| Other products | 64.8 | 63.5 | 19 | 22 |
| Total Domestic | 149.7 | 151.4 | 45 | 53 |
| Stores | 39.2 | 32.1 | 12 | 11 |
| Total Net Sales | \$ 329.4 | \$ 286.1 | 100% | 100% |

Worldwide net sales rose 12.0% (6.4% excluding the effects of translation gains) during the Second Quarter with particular strength from international businesses, Company-owned stores and RELIC accessories. Global sales of new product initiatives, including BURBERRY and ZODIAC watches and EMPORIO ARMANI jewelry, contributed \$4.1 million to sales during the quarter. Total international wholesale sales rose by 30.0% (14.6% excluding the effects of translation gains) while total domestic wholesale sales decreased 4.8%. The sales increase from international businesses was primarily a result of increased sales of FOSSIL and licensed brand watches and FOSSIL jewelry. International acquisitions contributed approximately \$4 million in sales during the quarter. Company-owned retail store sales increased 28% as a result of a 19% increase in the average number of stores opened during the quarter, which included six stores acquired during the first quarter of the year, and comp-store sales gains of 15%. Second Quarter sales of the Company's domestic watch business declined by 7.9% mainly attributed to the discontinuance of the EDDIE BAUER® private label watch business, the launch of COLUMBIA® watches in last year's second quarter and declines in sales of FOSSIL and RELIC watches. Second Quarter domestic sales of FOSSIL watches declined by 5.4%, compared to a 22% gain in the second quarter last year, but trended up on a sequential quarter basis. Domestic sales of the Company's accessory and sunglass businesses, on a combined basis, rose 2.1% compared to the Prior Year Quarter. Worldwide net sales for the first six months of 2003 increased 15.1% (9% excluding the effects of translation gains). Net sales for the Year To Date Period included approximately \$7.6 million from new product initiatives and approximately \$7.6 million from acquisitions. Excluding these increases, net sales for the Year To Date Period included increases from licensed and FOSSIL watches, FOSSIL jewelry and RELIC accessories.

Gross Profit. Gross profit margin of 51.3% in the Second Quarter represented a 110 basis points increase compared to 50.2% in the Prior Year Quarter. For the Year To Date Period, gross profit margin increased by 80 basis points to 50.8% compared to 50.0% in the Prior Year YTD Period. These increases are attributed to increases in international and Company-owned stores sales as a percentage of total sales. Both of these categories generally produce higher gross profit margins than the Company's historical consolidated gross profit margin. Also benefiting gross profit margin were higher average profit margins achieved at the Company's retail stores and a stronger average Euro comparable to prior year periods. The Company estimates gross profit margin could improve 50 to 100 basis points for the second half of the year as the sales mix is expected to continue to favor international businesses and the Company-owned stores on a comparable basis to last year. The Company also expects gross profit margins to be higher than the comparable period in the second half of 2003 as a result of a stronger Euro.

Operating Expenses. Operating expenses, as a percentage of net sales, increased to 41.1% in the Second Quarter compared to 38.8% in the Prior Year Quarter. Included in Second Quarter operating expenses is approximately \$2.7 million in additional costs related to the translation impact of a stronger Euro into U.S. dollars and \$2.4 million related to operating expenses of acquired businesses. Excluding the impact of these increases, operating expense increases were mainly driven by increased sales, advertising expenses and personnel and other costs associated with new business initiatives. As a percentage of net sales, advertising cost increased to 7.8% in the Second Quarter compared to 5.8% in the Prior Year Quarter. On a sequential quarter basis, advertising costs increased 150 basis points primarily related to an expanded presence at the Basel Watch Fair that took place in April. Increases in personnel and other costs associated with new initiatives mainly relate to the Company's Swiss watch, jewelry and tech watch businesses for which there have been minimal revenue contributions to-date. For the Year To Date Period, operating expenses, as a percentage of net sales, increased to 39.9% compared to 37.6% in the comparable prior year period. Operating expense increases for the Year To Date Period were comprised of increases in the same categories as experienced in the Second Quarter.

Operating Income. Increased operating expenses offset improved gross profit margins for both the Second Quarter and Year To Date Period. As a result, operating profit margins for the Second Quarter and Year To Date Period decreased to 10.2% and 10.9% of sales, respectively, compared to 11.4% and 12.4% in the Prior Year Quarter and Prior Year YTD Period, respectively.

Other Income (Expense) - net. Other income totaled \$512,000 in the Second Quarter compared to other expense of \$192,000 in the Prior Year Quarter. This increase in other income is primarily related to realized exchange rate gains associated with the Company's Canadian businesses. For the Year To Date Period, other income improved by approximately \$300,000. This increase is primarily related to exchange gains offset by approximately \$500,000 of legal cost incurred by the Company, as the plaintiff, in a copyright infringement lawsuit.

Provision For Income Taxes. The Company's effective income tax rate decreased to 38% during the Second Quarter and Year To Date Period compared to 39% in the Prior Year Quarter and the Prior Year YTD Period to reflect the lower worldwide effective tax rate being achieved by the Company.

Liquidity and Capital Resources

The Company's general business operations historically have not required substantial cash needs during the first several months of its fiscal year. Generally, starting in the second quarter, the Company's cash needs begin to increase, typically reaching their peak in the September-November time frame. The Company's cash holdings and short-term marketable securities of \$132.5 million at the end of the Second Quarter represented a 58% increase over amounts on hand at the end of the Prior Year Quarter. Net cash generated from operating activities of approximately \$32 million during the Year To Date Period was used to finance approximately \$16 million of capital additions, primarily related to cost associated with the Company's SAP implementation and construction cost associated with the future centralized European distribution facility. Additionally, the Company repurchased 155,000 shares of its common stock for an aggregate cost of approximately \$3.6 million. At the end of the Second Quarter, the Company had approximately 473,000 shares available for repurchase under its previous authorized buyback arrangements.

Accounts receivable increased 2.6% to \$71.3 million at the end of the Second Quarter compared to \$69.5 million at the end of the Prior Year Quarter. This increase was substantially below the Second Quarter net sales increase of 12%. As a result, days sales outstanding decreased to 41 days in the Second Quarter compared to 43 days in the Prior Year Quarter. Inventory at quarter-end was current at \$119 million, 6.1% above the prior year's inventory of \$112.1 million.

At the end of the Second Quarter, the Company had working capital of \$260.9 million compared to working capital of \$195 million and \$241.2 million at the end of the Prior Year Quarter and fiscal 2002 year-end, respectively. The Company had approximately \$2.5 million of outstanding borrowings against its combined \$43 million bank credit facilities at the end of the Second Quarter. Management believes that cash flow from operations combined with existing

cash on hand and amounts available under its credit facilities will be sufficient to satisfy working capital requirements for at least the next eighteen months.

Forward-Looking Statements

Included within management's discussion of the Company's operating results, "forward-looking statements" were made within the meaning of the Private Securities Litigation Reform Act of 1995 regarding expectations for 2003. The actual results may differ materially from those expressed by these forward-looking statements. Significant factors that could cause the Company's 2003 operating results to differ materially from management's current expectations include, among other items, significant changes in consumer spending patterns or preferences, competition in the Company's product areas, acts of war or acts of terrorism, international in comparison to domestic sales mix, changes in foreign currency valuations in relation to the United States dollar, principally the Euro, an inability of management to control operating expenses in relation to net sales without damaging the long-term direction of the Company and the risks and uncertainties set forth in the Company's current report on Form 8-K dated June 25, 2003.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a multinational enterprise, the Company is exposed to changes in foreign currency exchange rates. The Company employs a variety of practices to manage this market risk, including its operating and financing activities and, where deemed appropriate, the use of derivative financial instruments. Forward contracts have been utilized by the Company to mitigate foreign currency risk. The Company's most significant foreign currency risks relate to the Euro. The Company uses derivative financial instruments only for risk management purposes and does not use them for speculation or for trading. There were no significant changes in how the Company managed foreign currency transactional exposures during the Second Quarter and management does not anticipate any significant changes in such exposures or in the strategies it employs to manage such exposures in the near future.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of Fossil's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the design and operation of these disclosure controls and procedures were effective. No significant changes were made in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II - OTHER INFORMATION**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

The Company held its annual meeting of stockholders (the "Meeting") on May 21, 2003. At the Meeting, the stockholders voted upon (i) a proposal to elect four (4) directors of the Company to serve for a term of three years or until their respective successors are elected and qualified ("Proposal 1"); and (ii) a proposed amendment to the 1993 Long-Term Incentive Plan to increase the number of shares issuable under the 1993 Long-Term Incentive Plan upon exercise or vesting of awards from 9,956,250 to 11,981,250 ("Proposal 2"). No other matters were voted on at the Meeting. A total of 43,589,903 shares were represented at the Meeting.

The number of shares that were voted for, and that were withheld from, each of the director nominees in Proposal 1 is as follows:

| Director Nominee | For | Withheld |
|-------------------------|------------|-----------------|
| Kosta N. Kartsotis | 36,727,037 | 6,862,866 |
| Alan J. Gold | 41,900,853 | 1,689,050 |
| Michael Steinberg | 41,901,008 | 1,688,895 |
| Richard H. Gundy | 36,677,019 | 6,912,884 |

The directors whose term of office as a director continued after the Meeting are Tom Kartsotis, Michael W. Barnes, Jal S. Shroff, Kenneth W. Anderson and Donald J. Stone.

The number of shares that were voted for, against and abstained from Proposal 2 is as follows:

| For | Against | Abstain | Broker Non-Votes |
|------------|----------------|----------------|-------------------------|
| 28,532,797 | 14,480,564 | 576,541 | 0 |

ITEM 5. OTHER INFORMATION

On March 7, 2003, the Company provided notice to Company executive officers and directors regarding a blackout period for the Fossil common stock under the Fossil, Inc. Savings and Retirement Plan. The blackout period was imposed in order to change the outside administration and record keeping company for the plan and began on April 7, 2003 and ended on the scheduled termination date of May 13, 2003.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 10.1 Fifth Amendment to Fourth Amended and Restated Loan Agreement dated June 24, 2003 by and among Wells Fargo Bank Texas, National Association, a national banking association formerly known as Wells Fargo Bank (Texas), National Association, Fossil Partners, L.P., Fossil, Inc., Fossil Intermediate, Inc., Fossil Trust, Fossil Stores I, Inc. and Fossil Stores II, Inc. (without exhibits).
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

- (i) The Company filed a report on Form 8-K (Item 12) on May 14, 2003 for a press release, dated May 13, 2003, announcing financial results for the quarter ended April 5, 2003.
- (ii) The Company filed a report on Form 8-K (Item 5) on June 25, 2003 regarding the risk factors pertaining to ownership of the common stock and other securities of the Company.

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 thereunto duly authorized.

FOSSIL, INC.

Date: August 19, 2003

/s/ Mike L. Kovar

Mike L. Kovar

Senior Vice President and Chief Financial Officer

(Principal financial and accounting officer duly authorized to sign on behalf of Registrant)

EXHIBIT INDEX

| Exhibit Number | Document Description |
|-----------------------|--|
| 10.1 | Fifth Amendment to Fourth Amended and Restated Loan Agreement dated June 24, 2003 by and among Wells Fargo Bank Texas, National Association, a national banking association formerly known as Wells Fargo Bank (Texas), National Association, Fossil Partners, L.P., Fossil, Inc., Fossil Intermediate, Inc., Fossil Trust, Fossil Stores I, Inc. and Fossil Stores II, Inc. (without exhibits). |
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DOC 2 : Header

**FIFTH AMENDMENT TO
FOURTH AMENDED AND RESTATED LOAN AGREEMENT**

THIS FIFTH AMENDMENT TO FOURTH AMENDED AND RESTATED LOAN AGREEMENT (this "Amendment") is made and entered into as of the 24th day of June, 2003 by and among **WELLS FARGO BANK TEXAS, NATIONAL ASSOCIATION**, a national banking association formerly known as Wells Fargo Bank (Texas), National Association (the "Bank"), **FOSSIL PARTNERS, L.P.** (the "Borrower"), **FOSSIL, INC.** (the "Company"), **FOSSIL INTERMEDIATE, INC.** ("Fossil Intermediate"), **FOSSIL TRUST** ("Fossil Trust"), **FOSSIL STORES I, INC.** ("Fossil I") and **FOSSIL STORES II, INC.** ("Fossil II") (the Company, Fossil Intermediate, Fossil Trust, Fossil I and Fossil II are sometimes referred to herein individually as a "Guarantor" and collectively as the "Guarantors").

RECITALS

WHEREAS, the Bank, the Borrower and the Guarantors are parties to that certain Fourth Amended and Restated Loan Agreement, dated as of June 28, 1999, as amended by that certain First Amendment to Fourth Amended and Restated Loan Agreement, dated as of June 27, 2000, that certain Second Amendment to Fourth Amended and Restated Loan Agreement, dated as of June 26, 2001, that certain Third Amendment to Fourth Amended and Restated Loan Agreement, dated as of November 14, 2001, and that certain Fourth Amendment to Fourth Amended and Restated Loan Agreement, dated as of June 25, 2002 (as amended, the "Agreement");

WHEREAS, the Bank, the Borrower and the Guarantors desire to amend the Agreement and the other Loan Documents as herein set forth.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

ARTICLE I
Definitions

1.01 Capitalized terms used in this Amendment are defined in the Agreement, as amended hereby, unless otherwise stated.

ARTICLE II
Amendments

2.01 Amendment to Section 1. Effective as of the date hereof, the second sentence of Section 1 of the Agreement is hereby amended by deleting the words "Fourteenth Amended and Restated Master Revolving Credit Note" and substituting in lieu thereof the words "Fifteenth Amended and Restated Master Revolving Credit Note".

2.02 Amendment to Section 2. Effective as of the date hereof, Section 2 of the Agreement is hereby amended by deleting it in its entirety and substituting the following in lieu thereof:

“2. Documentary and Stand-by Letters of Credit. Subject to the conditions herein, the Bank shall (a) from time to time, at the request of the Borrower, issue documentary or stand-by letters of credit to Borrower’s vendors for the acquisition of inventory for the Borrower (the “Inventory Acquisition Letters of Credit”) and (b) issue a stand-by letter of credit in an aggregate amount up to ¥486,000,000.00 in favor of any Japanese domestic bank for the account of the Borrower (the “JDB Letter of Credit”) (the Inventory Acquisition Letters of Credit and the JDB Letter of Credit are hereinafter collectively referred to as the “Documentary or Stand-by Letters of Credit”). The fees for issuance of all Inventory Acquisition Letters of Credit shall be in accordance with the Bank’s schedule of fees for issuance of letters of credit existing as of the time of issuance. No fees shall be charged directly by Bank to Borrower in connection with the issuance of the JDB Letter of Credit. Immediately upon issuance, such Documentary and Stand-by Letters of Credit shall be considered in computing the amount of funds available to the Borrower, as provided in Section 5 herein. The Bank shall not be obligated: (x) to issue any Documentary or Stand-by Letter of Credit if the issuance of same would cause the Outstanding Revolving Credit to exceed the Total Commitment; (y) to issue any Documentary or Stand-by Letter of Credit with an expiration date that is more than one hundred eighty (180) days after the maturity date of the Revolving Note; or (z) to extend the expiration date of any Documentary or Stand-by Letter of Credit to a date that is more than one hundred eighty (180) days after the maturity date of the Revolving Note. If any Documentary or Stand-by Letters of Credit are outstanding on the maturity date of the Revolving Credit Note, the Borrower shall deposit with the Bank, as cash collateral, an amount equal to the undrawn face amount of all such Documentary or Stand-by Letters of Credit then outstanding (such cash collateral to be maintained in a deposit account at Bank pursuant to documentation in form and substance mutually acceptable to the Borrower and Bank).

2.03 Amendment to Section 16. Effective as of the date hereof, Section 16 of the Agreement is hereby amended by deleting the notice address for the Bank in its entirety and substituting the following in lieu thereof:

“if to the Bank: Wells Fargo Bank Texas,
National Association
1445 Ross Avenue, 3rd Floor
MAC 75303-031
Dallas, Texas 75202
Attention: Susan K. Nugent

with a copy to: Patton Boggs LLP
2001 Ross Avenue
Suite 3000
Dallas, Texas 75201
Attention: Robert Jeffery Cole”

ARTICLE III
Conditions Precedent

3.01 Conditions to Effectiveness. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent, unless specifically waived in writing by the Bank:

(a) The Bank shall have received the following documents, each in form and substance satisfactory to the Bank and its counsel:

(i) This Amendment, duly executed by the Borrower and the Guarantors (except as provided in Section 5.05 hereof); and

(ii) A Fifteenth Amended and Restated Master Revolving Credit Note in the form of Exhibit A to this Amendment (hereinafter, the “Revolving Note”), duly executed by the Borrower.

(b) There shall have been no material adverse change in the financial condition of the Borrower or any Guarantor;

(c) There shall be no material adverse litigation, either pending or threatened, against the Borrower or any Guarantor that could reasonably be expected to have a material adverse effect on the Borrower or such Guarantor;

(d) The representations and warranties contained herein and in the Agreement and the other Loan Documents, as each is amended hereby, shall be true and correct as of the date hereof, as if made on the date hereof;

(e) No default or Event of Default shall have occurred and be continuing, unless such default or Event of Default has been specifically waived in writing by the Bank;

(f) All corporate proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto shall be satisfactory to the Bank and its legal counsel; and

(g) The Bank shall have received from the Company or the Borrower, as appropriate, all fees and expenses (if any) required to be paid to the Bank pursuant to the Agreement, as amended hereby.

ARTICLE IV
No Waiver

4.01 Nothing contained herein shall be construed as a waiver by the Bank of any covenant or provision of the Agreement, the other Loan Documents, this Amendment, or of any other contract or instrument between the Borrower and/or the Guarantors and the Bank, and the failure of the Bank at any time or times hereafter to require strict performance by the Borrower and/or any Guarantor of any provision thereof shall not waive, affect or diminish any right of the Bank to thereafter demand strict compliance therewith. The Bank hereby reserves all rights granted under the Agreement, the other Loan Documents, this Amendment and any other contract or instrument between the Borrower and/or the Guarantors and the Bank.

ARTICLE V
Ratifications, Representations and Warranties, Covenants

5.01 General Ratifications. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Agreement and the other Loan Documents, and, except as expressly modified and superseded by this Amendment, the terms and provisions of the Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. The parties hereto agree that the Agreement and the other Loan Documents, as amended hereby, shall continue to be legal, valid, binding and enforceable in accordance with their respective terms.

5.02 Ratification of Guaranties. Each of the Guarantors hereby acknowledges and consents to all of the terms and conditions of this Amendment and the Revolving Note and hereby ratifies and confirms the Guaranty Agreement to which it is a party to or for the benefit of the Bank. Each of the Guarantors hereby represents and acknowledges that it has no claims, counterclaims, offsets, credits or defenses to the Loan Documents or the performance of its obligations thereunder. Furthermore, each Guarantor agrees that nothing contained in this Amendment or the Revolving Note shall adversely affect any right or remedy of the Bank under the Guaranty Agreement to which such Guarantor is a party. Each Guarantor hereby agrees that with respect to the Guaranty Agreement to which it is a party, all references in such Guaranty Agreement to the "Guaranteed Obligations" shall include, without limitation, the obligations of Borrower to Bank under the Agreement, as amended hereby, and under the Revolving Note. Each Guarantor hereby also agrees that with respect to the Guaranty Agreement to which it is a party, (i) all references in such Guaranty Agreement to "First Interstate Bank of Texas, N.A." shall be deemed references to "Wells Fargo Bank Texas, National Association" and (ii) the Bank's notice address shall be amended to read "Wells Fargo Bank Texas, National Association, 1445 Ross Avenue, 3rd Floor, MAC 75303-031, Dallas, Texas 75202". Finally, each of the Guarantors hereby represents and acknowledges that the execution and delivery of this Amendment and the other Loan Documents executed in connection herewith shall in no way

change or modify its obligations as a guarantor, debtor, pledgor, assignor, obligor and/or grantor under its respective Guaranty Agreement (except as specifically provided in this Section 5.02) and shall not constitute a waiver by the Bank of any of the Bank's rights against such Guarantor.

5.03 Ratification of Security Interests. The Company hereby agrees that the Stock Pledge Agreement is hereby expressly amended such that the definition of "Secured Obligations" contained therein includes, without limitation, all indebtedness and other obligations of Borrower now or hereafter existing hereunder the Agreement, as amended hereby, the Revolving Note and the other Loan Documents, as amended hereby. Furthermore, the Company hereby ratifies and reaffirms its obligations under the Stock Pledge Agreement, as the same is amended hereby, and represents and acknowledges that the Stock Pledge Agreement is not subject to any claims, counterclaims, defenses or offsets. The Company hereby also agrees that all references in the Stock Pledge Agreement to "First Interstate Bank of Texas, N.A." shall be deemed references to "Wells Fargo Bank Texas, National Association." Finally, the Company hereby represents and acknowledges that the execution and delivery of this Amendment and the other Loan Documents executed in connection herewith shall in no way change or modify its obligations as a debtor, pledgor, assignor, obligor and/or grantor under the Stock Pledge Agreement (except as specifically provided this Section 5.03) and shall not constitute a waiver by the Bank of any of the Bank's rights against the Company.

5.04 Representations and Warranties. The Borrower and each of the Guarantors hereby jointly and severally represent and warrant to the Bank that (a) the execution, delivery and performance of this Amendment and any and all other Loan Documents executed and/or delivered in connection herewith have been duly authorized by all requisite corporate, partnership or trust proceedings, as appropriate, and will not contravene, or constitute a default under, any provision of applicable law or regulation or of the Agreement of Limited Partnership, Articles of Incorporation, By-Laws or Trust Agreement, as applicable, of the Borrower or any Guarantor, or of any mortgage, indenture, contract, agreement or other instrument, or any judgment, order or decree, binding upon the Borrower or any Guarantor; (b) the representations and warranties contained in the Agreement and the other Loan Documents, as amended hereby, are true and correct on and as of the date hereof and on and as of the date of execution hereof as though made on and as of each such date; (c) no default or Event of Default under the Agreement, as amended hereby, has occurred and is continuing, unless such default or Event of Default has been specifically waived in writing by the Bank; and (d) the Borrower and the Guarantors are in full compliance with all covenants and agreements contained in the Agreement and the other Loan Documents, as amended hereby.

5.05 Covenants. In addition to any covenants and agreements contained in the Agreement, Borrower hereby agrees to cause each Guarantor to deliver, within sixty days after the date of this Amendment, to the Bank the documents and materials indicated below (each of which shall be in form and substance satisfactory to Bank, in its sole discretion):

- (a) this Amendment, duly executed by the Guarantors; and
- (b) a General Certificate of each Guarantor, (i) attaching a copy of any amendments to Guarantor's constituent organizational documents, if any, (ii) acknowledging that

such Guarantor's Board of Directors or other governing body, as applicable, has met and has adopted, approved, consented to and ratified resolutions which authorize the execution, delivery and performance by such Guarantor of this Amendment and all Loan Documents to which such Guarantor is or is to be a party, (iii) providing the names of the officers of such Guarantor authorized to sign this Amendment and each of the Loan Documents to which such Guarantor is or is to be a party hereunder (including the certificates contemplated herein) together with specimen signatures of such officers and (iv) containing a representation as to such Guarantor's existence, good standing and/or authority to transact business in the state in which such or Guarantor was incorporated and in each other state in which Guarantor is required to be qualified;

provided, however, the failure to deliver the documents and materials indicated above within sixty days from the date of this Amendment shall constitute an immediate Event of Default under the Agreement.

ARTICLE VI
Miscellaneous Provisions

6.01 Survival of Representations and Warranties. All representations and warranties made in the Agreement or any other Loan Documents, including, without limitation, any document furnished in connection with this Amendment, shall survive the execution and delivery of this Amendment and the other Loan Documents to be executed in connection herewith, and no investigation by the Bank or any closing shall affect the representations and warranties or the right of the Bank to rely upon them.

6.02 Reference to Agreement. Each of the Agreement and the other Loan Documents, and any and all other agreements, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Agreement, as amended hereby, are hereby amended so that any reference in the Agreement and such other Loan Documents to the Agreement, shall mean a reference to the Agreement, as amended hereby.

6.03 Expenses of the Bank. As provided in the Agreement, the Borrower agrees to pay on demand all reasonable costs and expenses incurred by the Bank in connection with the preparation, negotiation, and execution of this Amendment and the other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements hereto or thereto, including, without limitation, the costs and fees of the Bank's legal counsel, and all costs and expenses incurred by the Bank in connection with the enforcement or preservation of any rights under the Agreement or any other Loan Document, in each case as amended hereby, including, without, limitation, the costs and fees of the Bank's legal counsel.

6.04 Severability. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

6.05 Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of the Borrower, the Guarantors and the Bank and their respective successors and assigns.

6.06 Counterparts. This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument.

6.07 Effect of Waiver. No consent or waiver, express or implied, by the Bank to or for any breach of or deviation from any covenant or condition by the Borrower or any Guarantor shall be deemed a consent to or waiver of any other breach of the same or any other covenant, condition or duty.

6.08 Headings. The headings, captions and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

6.09 Applicable Law. THIS AMENDMENT AND ALL OTHER AGREEMENTS EXECUTED PURSUANT HERETO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

6.10 Final Agreement. THE AGREEMENT AND THE OTHER LOAN DOCUMENTS, EACH AS AMENDED HEREBY, REPRESENT THE ENTIRE EXPRESSION OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF ON THE DATE THIS AMENDMENT IS EXECUTED. THE AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS AMENDED HEREBY, MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. NO MODIFICATION, RESCISSION, WAIVER, RELEASE OR AMENDMENT OF ANY PROVISION OF THIS AMENDMENT SHALL BE MADE, EXCEPT BY A WRITTEN AGREEMENT SIGNED BY THE BORROWER, THE GUARANTORS AND THE BANK.

6.11 **AGREEMENT FOR BINDING ARBITRATION.** The parties agree to be bound by the terms and provisions of the Bank's current Arbitration Program which is incorporated herein by reference and is acknowledged as received by the parties pursuant to which any and all disputes shall be resolved by mandatory binding arbitration upon the request of any party.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, this Amendment has been executed and is effective as of the date first above-written.

“BANK”

WELLS FARGO BANK TEXAS,
NATIONAL ASSOCIATION

By: _____
Susan K. Nugent,
Relationship Manager/Banking Officer

“BORROWER”

FOSSIL PARTNERS, L.P.

By: Fossil, Inc., its general partner

By: _____
Randy S. Kercho,
Executive Vice President

“GUARANTORS”

FOSSIL, INC.

By: _____
Randy S. Kercho,
Executive Vice President

FOSSIL INTERMEDIATE, INC.

By: _____
Mike Kovar, Treasurer

Fifth Amendment to Loan Agreement

FOSSIL TRUST

By: _____
Mike Kovar, Treasurer

FOSSIL STORES I, INC.

By: _____
Mike Kovar, Treasurer

FOSSIL STORES II, INC.

By: _____
Mike Kovar, Treasurer

Exhibit:

A - Revolving Note

EXHIBIT A

FORM OF REVOLVING NOTE

(See Attached)

EXHIBIT A

DOC 3 : Header

CERTIFICATION

I, Kosta N. Kartsois, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fossil, Inc.;
 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. (paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986);
 - c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d. disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
-

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 19, 2003

/s/ Kosta N. Kartsois
Kosta N. Kartsois
President and Chief Executive
Officer

DOC 4 : Header

CERTIFICATION

I, Mike L. Kovar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fossil, Inc.;
 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. (paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986);
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d. disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
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5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 19, 2003

/s/ Mike L. Kovar
Mike L. Kovar
Senior Vice President, Chief
Financial Officer and Treasurer

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Exhibit 32.1

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing of the Quarterly Report on Form 10-Q for the Quarter Ended July 5, 2003 (the "Report") by Fossil, Inc. ("Registrant"), the undersigned hereby certifies that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Registrant.

/s/ Kosta N. Kartsotis
Kosta N. Kartsotis
Director, President and Chief
Executive Officer

Date: August 19, 2003

A signed original of this written statement required by Section 906 has been provided to Fossil, Inc. and will be maintained by Fossil, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

DOC 6 : Header

Exhibit 32.2

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing of the Quarterly Report on Form 10-Q for the Quarter Ended July 5, 2003 (the "Report") by Fossil, Inc. ("Registrant"), the undersigned hereby certifies that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Registrant.

/s/ Mike L. Kovar
Mike L. Kovar
Senior Vice President, Chief
Financial Officer and Treasurer

Date: August 19, 2003

A signed original of this written statement required by Section 906 has been provided to Fossil, Inc. and will be maintained by Fossil, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
