Lancaster David E
Form 4
February 09, 2012

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Lancaster David E

(Last) (First) (Middle)

5400 LBJ FREEWAY, SUITE 1500

(Street)

DALLAS, TX 75240

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Matador Resources Co [MTDR]

3. Date of Earliest Transaction (Month/Day/Year)
02/07/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP, COO and CFO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/07/2012		M		60,000	A	$ 9	221,250	D	
Common Stock	02/07/2012		S		60,000	D	$ 12	161,250	D	
Common Stock								73,500	I	See footnote (1)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee stock option (right to buy)	$ 9	02/07/2012		M			60,000	(2)	02/07/2012	Common Stock	60,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Lancaster David E 5400 LBJ FREEWAY, SUITE 1500 DALLAS, TX 75240			EVP, COO and CFO	

Signatures

/s/ David E. Lancaster	02/08/2012
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Represents shares held of record by the reporting person's Individual Retirement Account.

(2) The stock options vested in four equal annual installments beginning on February 8, 2008.

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None

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			For the 26 Weeks Ended July 4, 2015		For the 27 Weeks Ended July 5, 2014	
Fiscal Year Authorized	Dollar Value Authorized	Termination Date	Number of Shares Repurchased	Dollar Value Repurchased	Number of Shares Repurchased	Dollar Value Repurchased
2014	$ 1,000.0	December 2018	2.2	$ 188.2	0.0	$ 0.0
2012	$ 1,000.0	December 2016 (1)	0.3	$ 28.8	1.6	$ 184.6
2010	$ 30.0	None	0.0	$ 0.0	0.0	$ 0.0

(1) In the first quarter of fiscal year 2015, the Company completed this repurchase plan.

Controlling and Noncontrolling Interest. The following tables summarize the changes in equity attributable to controlling and noncontrolling interest (in thousands):

	Fossil Group, Inc. Stockholders Equity	Noncontrolling Interest	Total Stockholders Equity
Balance at January 3, 2015	$ 977,860	$ 5,941	$ 983,801
Net income	92,718	4,740	97,458
Currency translation adjustment	(27,947)	0	(27,947)
Derivative instruments-net change	(185)	0	(185)
Common stock issued upon exercise of stock options	582	0	582
Tax expense derived from stock-based compensation	(699)	0	(699)
Distribution of noncontrolling interest earnings	0	(5,056)	(5,056)
Business acquisition	0	5,831	5,831
Acquisition of common stock	(218,659)	0	(218,659)
Stock-based compensation expense	9,276	0	9,276
Balance at July 4, 2015	$ 832,946	$ 11,456	$ 844,402

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	Fossil Group, Inc. Stockholders Equity	Noncontrolling Interest	Total Stockholders Equity
Balance at December 28, 2013	$ 1,068,677	$ 6,690	$ 1,075,367
Net income	118,860	5,201	124,061
Currency translation adjustment	399	0	399
Derivative instruments-net change	(412)	0	(412)
Common stock issued upon exercise of stock options	1,508	0	1,508
Tax benefit derived from stock-based compensation	950	0	950
Distribution of noncontrolling interest earnings and other.	0	(5,392)	(5,392)
Pension plan activity	(3,293)	0	(3,293)
Acquisition of common stock	(187,158)	0	(187,158)
Stock-based compensation expense	9,637	0	9,637
Balance at July 5, 2014	$ 1,009,168	$ 6,499	$ 1,015,667

7. EMPLOYEE BENEFIT PLANS

Stock-Based Compensation Plans. The following table summarizes stock options and stock appreciation rights activity during the Second Quarter:

Stock Options and Stock Appreciation Rights	Shares (in Thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value (in Thousands)
Outstanding at April 4, 2015	775	$ 84.93	5.8	$ 10,714
Granted	0			
Exercised	(7)	41.30		244
Forfeited or expired	(24)	98.15		
Outstanding at July 4, 2015	744	84.94	5.5	7,667
Exercisable at July 4, 2015	540	$ 83.20	4.8	$ 7,664

The aggregate intrinsic value shown in the table above is before income taxes and is based on (i) the exercise price for outstanding and exercisable options/rights at July 4, 2015 and (ii) the fair market value of the Company s common stock on the exercise date for options/rights that were exercised during the Second Quarter**.**

Stock Options and Stock Appreciation Rights Outstanding and Exercisable. The following tables summarize information with respect to stock options and stock appreciation rights outstanding and exercisable at July 4, 2015:

	Stock Options Outstanding			Stock Options Exercisable	
Range of	Number of	Weighted-Average Exercise	Weighted-Average Remaining Contractual	Number of	Weighted-Average Exercise

Exercise Prices	Shares (in Thousands)		Price	Term (in Years)	Shares (in Thousands)		Price
$13.65 - $21.51	51	$	15.13	3.0	51	$	15.13
$30.71 - $67.10	93		36.32	3.5	93		36.32
$69.53 - $106.40	96		80.86	5.6	94		80.79
$106.89 - $131.46	165		128.10	6.2	165		128.10
Total	405	$	81.56	5.0	403	$	81.55

Range of Exercise Prices	Stock Appreciation Rights Outstanding: Number of Shares (in Thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in Years)	Stock Appreciation Rights Exercisable: Number of Shares (in Thousands)	Weighted-Average Exercise Price
$13.65 - $21.51	17	$ 13.65	1.7	17	$ 13.65
$30.71 - $67.10	17	40.16	2.4	17	38.71
$69.53 - $106.40	197	84.25	6.9	43	90.35
$106.89 - $131.46	108	117.73	6.0	60	121.69
Total	339	$ 88.98	6.1	137	$ 88.08

Restricted Stock, Restricted Stock Units and Performance Restricted Stock Units. The following table summarizes restricted stock, restricted stock unit and performance restricted stock unit activity during the Second Quarter:

Restricted Stock, Restricted Stock Units and Performance Restricted Stock Units	Number of Shares (in Thousands)	Weighted-Average Grant Date Fair Value
Nonvested at April 4, 2015	446	$ 90.39
Granted	23	79.23
Vested	(16)	103.84
Forfeited	(16)	92.96
Nonvested at July 4, 2015	437	$ 89.22

The total fair value of restricted stock and restricted stock units vested during the Second Quarter was approximately $1.3 million. Vesting of performance restricted stock units is based on achievement of sales growth and operating margin targets in relation to the performance of a certain identified peer group.

8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables illustrate changes in the balances of each component of accumulated other comprehensive income (loss), net of taxes (in thousands):

	For the 13 Weeks Ended July 4, 2015				
	Currency Translation Adjustments	Cash Flow Hedges: Forward Contracts	Cash Flow Hedges: Interest Rate Swaps	Pension Plan	Total
Beginning balance	$ (60,747)	$ 19,315	$ (4,776)	$ (3,647)	$ (49,855)
Other comprehensive income (loss) before reclassifications	5,559	2,701	10,460	0	18,720
Tax (expense) benefit	0	253	(3,812)	0	(3,559)
Amounts reclassed from accumulated other	0	10,555	4,604	0	15,159

comprehensive income									
Tax (expense) benefit		0		(3,634)		(1,677)		0	(5,311)
Total other comprehensive income (loss)		5,559		(3,967)		3,721		0	5,313
Ending balance	$	(55,188)	$	15,348	$	(1,055)	$	(3,647)	$ (44,542)

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	For the 13 Weeks Ended July 5, 2014					
	Currency Translation Adjustments	Cash Flow Hedges Forward Contracts	Interest Rate Swap	Pension Plan	Net Investment Hedges	Total
Beginning balance	$ 37,027	$ (1,941)	$ (179)	$ 736	$ 162	$ 35,805
Other comprehensive income (loss) before reclassifications	1,524	(1,834)	(912)	(2,946)	155	(4,013)
Tax (expense) benefit	0	195	333	(347)	(60)	121
Amounts reclassed from accumulated other comprehensive income	0	(1,570)	(691)	0	0	(2,261)
Tax (expense) benefit	0	537	252	0	0	789
Total other comprehensive income (loss)	1,524	(606)	(140)	(3,293)	95	(2,420)
Ending balance	$ 38,551	$ (2,547)	$ (319)	$ (2,557)	$ 257	$ 33,385

	For the 26 Weeks Ended July 4, 2015				
	Currency Translation Adjustments	Cash Flow Hedges Forward Contracts	Interest Rate Swaps	Pension Plan	Total
Beginning balance	$ (27,241)	$ 14,980	$ (502)	$ (3,647)	$ (16,410)
Other comprehensive income (loss) before reclassifications	(27,947)	21,462	3,054	0	(3,431)
Tax (expense) benefit	0	(5,965)	(1,113)	0	(7,078)
Amounts reclassed from accumulated other comprehensive income	0	22,993	3,923	0	26,916
Tax (expense) benefit	0	(7,864)	(1,429)	0	(9,293)
Total other comprehensive income (loss)	(27,947)	368	(553)	0	(28,132)
Ending balance	$ (55,188)	$ 15,348	$ (1,055)	$ (3,647)	$ (44,542)

	For the 27 Weeks Ended July 5, 2014					
	Currency Translation Adjustments	Cash Flow Hedges Forward Contracts	Interest Rate Swap	Pension Plan	Net Investment Hedges	Total
Beginning balance	$ 38,152	$ (2,091)	$ (106)	$ 736	$ 0	$ 36,691
Other comprehensive income (loss) before reclassifications	399	(2,100)	(1,760)	(2,946)	410	(5,997)
Tax (expense) benefit	0	113	643	(347)	(153)	256
Amounts reclassed from accumulated other comprehensive income	0	(2,399)	(1,424)	0	0	(3,823)
Tax (expense) benefit	0	868	520	0	0	1,388
Total other comprehensive income (loss)	399	(456)	(213)	(3,293)	257	(3,306)
Ending balance	$ 38,551	$ (2,547)	$ (319)	$ (2,557)	$ 257	$ 33,385

See Note 10 Derivatives and Risk Management for additional disclosures about the Company s use of derivatives.

9. SEGMENT INFORMATION

The Company reports segment information based on the management approach . The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company s reportable segments.

The Company manages its business primarily on a geographic basis. The Company s reportable operating segments are comprised of (i) Americas, (ii) Europe and (iii) Asia. Each reportable operating segment includes sales to wholesale and distributor customers, and sales through Company-owned retail stores and e-commerce activities based on the location of the selling entity. The Americas segment primarily includes sales to customers based in Canada, Latin America and the United States. The Europe segment primarily includes sales to customers based in European countries, the Middle East and Africa. The Asia segment primarily includes sales to customers based in Australia, China, India, Indonesia, Japan, Malaysia, New Zealand, Singapore, South Korea, Taiwan and Thailand. Each reportable operating segment provides similar products and services.

The Company evaluates the performance of its reportable segments based on net sales and operating income. Net sales for geographic segments are based on the location of the selling entity. Operating income for each segment includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment. General corporate expenses, including certain administrative, legal, accounting, technology support costs, equity compensation costs, payroll costs attributable to executive management, brand management, product development, art, creative/product design, marketing, strategy, compliance and back office supply chain expenses are not allocated to the various segments because they are managed at the corporate level internally. The Company does not include intercompany transfers between segments for management reporting purposes.

Certain reclassifications have been made to prior year amounts to conform with current year presentation. Due to changes in the Company s reportable segments as discussed in Note 1 to the condensed consolidated financial statements, segment results for fiscal year 2014 have been recast to present results on a comparable basis.

Summary information by operating segment was as follows (in thousands):

	For the 13 Weeks Ended July 4, 2015		For the 13 Weeks Ended July 5, 2014	
	Net Sales	**Operating Income**	**Net Sales**	**Operating Income**
Americas	$ 386,088	$ 86,033	$ 380,699	$ 88,786
Europe	227,923	41,814	258,987	46,770
Asia	125,964	20,555	134,134	27,172
Corporate		(77,968)		(77,970)
Consolidated	$ 739,975	$ 70,434	$ 773,820	$ 84,758

	For the 26 Weeks Ended July 4, 2015		For the 27 Weeks Ended July 5, 2014	
	Net Sales	**Operating Income**	**Net Sales**	**Operating Income**
Americas	$ 752,684	$ 162,533	$ 763,360	$ 187,856
Europe	462,179	79,152	519,340	99,278

Asia	250,197	41,051	267,665	58,070
Corporate		(156,147)		(155,747)
Consolidated	$ 1,465,060	$ 126,589	$ 1,550,365	$ 189,457

	July 4, 2015		**January 3, 2015**	
	Long-Term Assets	**Total Assets**	**Long-Term Assets**	**Total Assets**
Americas	$ 262,507	$ 772,618	$ 263,324	$ 809,548
Europe	202,586	488,965	220,742	561,486
Asia	54,993	213,381	57,508	233,881
Corporate	173,016	584,477	176,124	602,637
Total	$ 693,102	$ 2,059,441	$ 717,698	$ 2,207,552

The following tables reflect net sales for each class of similar products in the periods presented (in thousands, except percentage data):

	For the 13 Weeks Ended July 4, 2015		For the 13 Weeks Ended July 5, 2014	
	Net Sales	Percentage of Total	Net Sales	Percentage of Total
Watches	$ 575,804	77.8%	$ 611,208	79.0%
Leathers	89,380	12.1	87,325	11.3
Jewelry	55,780	7.5	56,183	7.2
Other	19,011	2.6	19,104	2.5
Total	$ 739,975	100.0%	$ 773,820	100.0%

	For the 26 Weeks Ended July 4, 2015		For the 27 Weeks Ended July 5, 2014	
	Net Sales	Percentage of Total	Net Sales	Percentage of Total
Watches	$ 1,127,661	77.0%	$ 1,212,596	78.2%
Leathers	182,306	12.4	187,047	12.1
Jewelry	118,767	8.1	112,701	7.3
Other	36,326	2.5	38,021	2.4
Total	$ 1,465,060	100.0%	$ 1,550,365	100.0%

10. DERIVATIVES AND RISK MANAGEMENT

Cash Flow Hedges. The primary risks managed by using derivative instruments are the fluctuations in global currencies that will ultimately be used by non-U.S. dollar functional currency subsidiaries to settle future payments of intercompany inventory transactions denominated in U.S. dollars. Specifically, the Company projects future intercompany purchases by its non-U.S. dollar functional currency subsidiaries generally over a period of up to 24 months. The Company enters into foreign currency forward contracts (forward contracts) generally for up to 85% of the forecasted purchases to manage fluctuations in global currencies that will ultimately be used to settle such U.S. dollar denominated inventory purchases. Forward contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon settlement date and exchange rate. These forward contracts are designated as single cash flow hedges. Fluctuations in exchange rates will either increase or decrease the Company s U.S. dollar equivalent cash flows from these intercompany inventory transactions, which will affect the Company s U.S. dollar earnings. Gains or losses on the forward contracts are expected to offset these fluctuations to the extent the cash flows are hedged by the forward contracts.

These forward contracts meet the criteria for hedge accounting, which requires that they represent foreign-currency-denominated forecasted inter-entity transactions in which (i) the operating unit that has the foreign currency exposure is a party to the hedging instrument and (ii) the hedged transaction is denominated in a currency other than the hedging unit s functional currency.

At the inception of each forward contract designated as a cash flow hedge, the hedging relationship is expected to be highly effective in achieving offsetting cash flows attributable to the hedged risk. The Company assesses hedge effectiveness under the critical terms matched method at inception and at least quarterly throughout the life of the hedging relationship. If the critical terms (i.e., amounts, currencies and settlement dates) of the forward contract match the terms of the forecasted transaction, the Company concludes that the hedge is effective.

For a derivative instrument that is designated and qualifies as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (loss), net of taxes and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures being hedged, the Company s hedges resulted in no ineffectiveness in the condensed consolidated statements of income and comprehensive income, and there were no components excluded from the assessment of hedge effectiveness for the Second Quarter, Prior Year Quarter, Year To Date Period or Prior Year YTD Period.

All derivative instruments are recognized as either assets or liabilities at fair value in the condensed consolidated balance sheets. Derivatives designated as cash flow hedges are recorded at fair value at each balance sheet date and the change in fair value is recorded to accumulated other comprehensive income (loss) within the equity section of the Company s condensed consolidated balance sheet until such derivative s gains or losses become realized or the cash flow hedge relationship is terminated. If the cash flow hedge relationship is terminated, the derivative s gains or losses that are recorded in accumulated other comprehensive income (loss) will be recognized in earnings when the hedged cash flows occur. However, for cash flow hedges that are terminated because the forecasted transaction is not expected to occur in the original specified time period, the derivative s gains or losses are immediately recognized in earnings. There were no gains or losses reclassified into earnings as a result of the discontinuance of cash flow hedges in the Second Quarter, Prior Year Quarter, Year To Date Period or Prior Year YTD Period. Hedge accounting is discontinued if it is determined that the derivative is not highly effective. The Company records all forward contract hedge assets and liabilities on a gross basis as they do not meet the balance sheet netting criteria because the Company does not have master netting agreements established with the derivative counterparties that would allow for net settlement.

As of July 4, 2015, the Company had the following outstanding forward contracts designated as cash flow hedges that were entered into to hedge the future payments of intercompany inventory transactions (in millions):

Functional Currency		**Contract Currency**	
Type	**Amount**	**Type**	**Amount**
Euro	209.3	U.S. dollar	250.2
British pound	41.9	U.S. dollar	65.9
Canadian dollar	51.5	U.S. dollar	42.9
Japanese yen	3,788.1	U.S. dollar	32.7
Mexican peso	306.6	U.S. dollar	19.9
Australian dollar	19.0	U.S. dollar	14.7

The Company is also exposed to interest rate risk related to its outstanding debt. To manage the interest rate risk related to its $231.3 million U.S.-based term loan, as amended and restated on March 9, 2015 (Term Loan), the Company entered into an interest rate swap agreement on July 26, 2013 with a term of approximately five years. The objective of this hedge is to offset the variability of future payments associated with interest rates on the Term Loan. The interest rate swap agreement hedges the 1-month London Interbank Offer Rate (LIBOR) based variable rate debt obligations under the Term Loan. Under the terms of the swap, the Company pays a fixed interest rate of 1.288% per annum to the swap counterparty plus the LIBOR rate applicable margin (which varies based upon the Company s consolidated leverage ratio (the Ratio) from 1.25% if the Ratio is less than 1.00 to 1.00, to 2.00% if the Ratio is greater than or equal to 2.00 to 1.00). The notional amount will amortize over the remaining life of the Term Loan to coincide with the amortization of the underlying loan. The Company will receive interest from the swap counterparty at a variable rate based on 1-month LIBOR. This hedge is designated as a cash flow hedge. Additionally, to manage interest rate risk related to forecasted debt issuances, the Company entered into a forward starting interest rate swap agreement on March 20, 2015 with a term of approximately 10 years. The objective of this hedge was to offset the variability of future interest payments associated with forecasted debt issuances. The forecasted debt issuances did not occur, and in May 2015, the Company entered into an agreement to offset and unwind the forward starting interest rate swap. As a result of this transaction, a gain of $3.3 million net of taxes was reclassed out of accumulated other comprehensive income (loss) to other income (expense).

Net Investment Hedge. The Company is also exposed to risk that adverse changes in foreign currency exchange rates could impact its net investment in foreign operations. To manage this risk, during the first quarter of fiscal year 2014, the Company entered into a forward contract designated as a net investment hedge to reduce exposure to changes in currency exchange rates on 25.0 million of its total investment in a wholly-owned euro-denominated foreign subsidiary. The hedge was settled in the Prior Year Quarter. The effective portion of derivatives designated as net investment hedges are recorded at fair value at each balance sheet date and the change in fair value is recorded as a component of other comprehensive income (loss) in the Company s condensed consolidated statements of income and comprehensive income. The Company uses the hypothetical derivative method to assess the ineffectiveness of net investment hedges. Should any portion of a net investment hedge become ineffective, the ineffective portion will be reclassified to other income-net on the Company s condensed consolidated statements of income and comprehensive income. Gains and losses reported in accumulated other comprehensive income (loss) will not be reclassified into earnings until the Company s underlying investment is liquidated or dissolved.

Non-designated Hedges. The Company also periodically enters into forward contracts to manage exchange rate risks associated with certain non-inventory intercompany transactions and to which the Company does not elect hedge treatment. As of July 4, 2015, the Company had approximately $0.1 million in assets of outstanding forward exchange contracts acquired as part of the SKWG Acquisition, for which the Company did not elect hedge treatment. As of January 3, 2015, all of the Company s outstanding forward contracts were designated as hedging instruments. Changes in the fair value of derivatives not designated as hedging instruments are recognized in earnings when they occur.

The effective portion of gains and losses on derivative instruments that were recognized in other comprehensive income (loss), net of taxes during the Second Quarter, Prior Year Quarter, Year To Date Period and Prior Year YTD Period are set forth below (in thousands):

		For the 13 Weeks Ended July 4, 2015		For the 13 Weeks Ended July 5, 2014
Cash flow hedges:				
Forward contracts	$	2,954	$	(1,639)
Interest rate swaps		6,648		(579)
Net investment hedge:				
Forward contract		0		95
Total gain (loss) recognized in other comprehensive income (loss), net of taxes	$	9,602	$	(2,123)

		For the 26 Weeks Ended July 4, 2015		For the 27 Weeks Ended July 5, 2014
Cash flow hedges:				
Forward contracts	$	15,497	$	(1,987)
Interest rate swaps		1,941		(1,117)
Net investment hedge:				
Forward contract		0		257
Total gain (loss) recognized in other comprehensive income (loss), net of taxes	$	17,438	$	(2,847)

The following table illustrates the effective portion of gains and losses on derivative instruments recorded in other comprehensive income (loss), net of taxes during the term of the hedging relationship and reclassified into earnings, and gains and losses on derivatives not designated as hedging instruments recorded directly to earnings during the Second Quarter, Prior Year Quarter, Year To Date Period and Prior Year YTD Period (in thousands):

Derivative Instruments	Condensed Consolidated Statements of Income and Comprehensive Income Location	Effect of Derivative Instruments		For the 13 Weeks Ended July 4, 2015		For the 13 Weeks Ended July 5, 2014
Forward contracts designated as cash flow hedging instruments	Other income (expense)-net	Total gain (loss) reclassified from other comprehensive income (loss)	$	6,921	$	(1,033)
Forward contracts not designated as hedging instruments	Other income (expense)-net	Total gain (loss) recognized in income	$	(9)		0
Interest rate swap designated as a cash flow hedging instrument	Interest expense	Total gain (loss) reclassified from other comprehensive income (loss)	$	(404)	$	(439)
Interest rate swap designated as a cash flow hedging instrument	Other income (expense)-net	Total gain (loss) reclassified from other comprehensive income (loss)	$	3,331		0

Derivative Instruments	Condensed Consolidated Statements of Income and Comprehensive Income Location	Effect of Derivative Instruments	For the 26 Weeks Ended July 4, 2015		For the 27 Weeks Ended July 5, 2014	
Forward contracts designated as cash flow hedging instruments	Other income (expense)-net	Total gain (loss) reclassified from other comprehensive income (loss)	$	15,129	$	(1,531)
Forward contracts not designated as hedging instruments	Other income (expense)-net	Total gain (loss) recognized in income	$	80	$	(148)
Interest rate swap designated as a cash flow hedging instrument	Interest expense	Total gain (loss) reclassified from other comprehensive income (loss)	$	(837)	$	(904)
Interest rate swap designated as a cash flow hedging instrument	Other income (expense)-net	Total gain (loss) reclassified from other comprehensive income (loss)	$	3,331		0

The following table discloses the fair value amounts for the Company s derivative instruments as separate asset and liability values, presents the fair value of derivative instruments on a gross basis, and identifies the line items in the condensed consolidated balance sheets in which the fair value amounts for these categories of derivative instruments are included (in thousands):

	Asset Derivatives						Liability Derivatives					
	July 4, 2015			January 3, 2015			July 4, 2015			January 3, 2015		
Derivative Instruments	Condensed Consolidated Balance Sheets Location	Fair Value		Condensed Consolidated Balance Sheets Location	Fair Value		Condensed Consolidated Balance Sheets Location	Fair Value		Condensed Consolidated Balance Sheets Location	Fair Value	
Forward contracts designated as cash flow hedging instruments	Prepaid expenses and other current assets	$	22,887	Prepaid expenses and other current assets	$	25,867	Accrued expenses- other	$	1,021	Accrued expenses- other	$	0
Forward contracts not designated as cash flow hedging instruments	Prepaid expenses and other current assets		123	Prepaid expenses and other current assets		0	Accrued expenses- other		0	Accrued expenses- other		0
Interest rate swap designated as a cash flow hedging instrument	Prepaid expenses and other current assets		0	Prepaid expenses and other current assets		0	Accrued expenses- other		1,991	Accrued expenses- other		2,157
Forward contracts designated as cash flow hedging instruments	Intangible and other assets-net		664	Intangible and other assets-net		1,802	Other long-term liabilities		246	Other long-term liabilities		0
Interest rate swap designated as a cash flow hedging instrument	Intangible and other assets-net		743	Intangible and other assets-net		1,724	Other long-term liabilities		412	Other long-term liabilities		357
Total		$	24,417		$	29,393		$	3,670		$	2,514

At the end of the Second Quarter, the Company had forward contracts with maturities extending through June 2017. As of July 4, 2015, an estimated net gain of $14.3 million is expected to be reclassified into earnings within the next twelve months at prevailing foreign currency exchange rates. See Note 1 Financial Statement Policies for additional disclosures on foreign currency hedging instruments.

11. FAIR VALUE MEASUREMENTS

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

ASC 820, *Fair Value Measurement and Disclosures* (ASC 820), establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.

- Level 2 Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.

- Level 3 Unobservable inputs based on the Company s assumptions.

ASC 820 requires the use of observable market data if such data is available without undue cost and effort.

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of July 4, 2015 (in thousands):

	Fair Value at July 4, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Forward contracts	$ 0	$ 23,674	$ 0	$ 23,674
Deferred compensation plan assets:				
Investment in publicly traded mutual funds	2,515	0	0	2,515
Interest rate swaps	0	743	0	743
Total	$ 2,515	$ 24,417	$ 0	$ 26,932
Liabilities:				
Contingent consideration	$ 0	$ 0	$ 4,929	$ 4,929
Forward contracts	0	1,267	0	1,267
Interest rate swaps	0	2,403	0	2,403
Total	$ 0	$ 3,670	$ 4,929	$ 8,599

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of January 3, 2015 (in thousands):

	Fair Value at January 3, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Forward contracts	$ 0	$ 27,669	$ 0	$ 27,669
Deferred compensation plan assets:				
Investment in publicly traded mutual funds	2,477	0	0	2,477
Interest rate swap	0	1,724	0	1,724
Total	$ 2,477	$ 29,393	$ 0	$ 31,870
Liabilities:				
Contingent consideration	$ 0	$ 0	$ 7,114	$ 7,114

Interest rate swap	0	2,514	0	2,514
Total	$ 0	$ 2,514	$ 7,114	$ 9,628

The fair values of the Company s deferred compensation plan assets are based on quoted prices. The deferred compensation plan assets are recorded in intangible and other assets-net in the Company s condensed consolidated balance sheets. The fair values of the Company s forward contracts are based on published quotations of spot currency rates and forward points, which are converted into implied forward currency rates. The fair values of the interest rate swap assets and liabilities are determined using valuation models based on market observable inputs, including forward curves, mid market price and volatility levels. See Note 10 Derivatives and Risk Management for additional disclosures about the interest rate swaps and forward contracts.

The Company has evaluated its short-term and long-term debt as of July 4, 2015 and January 3, 2015 and believes, based on the interest rates, related terms and maturities, that the carrying amounts of such instruments approximated their fair values. As of July 4, 2015 and January 3, 2015, the carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximated their fair values due to the short-term maturities of these accounts.

The fair value of the contingent consideration liability related to the acquisition of the Company s joint venture company, Fossil, S.L. (Fossil Spain), was determined using Level 3 inputs. The contingent consideration recorded as of July 4, 2015 is based on Fossil Spain s earnings for fiscal year 2014 and forecasted earnings for fiscal year 2015. During the Second Quarter, the Company made a 1.9 million euro payment towards the 2014 contingent consideration, leaving a remaining liability of 1.5 million euros (approximately $1.7 million) which will be paid during the remaining part of fiscal year 2015. The contingent consideration for calendar year 2015 will be paid upon the execution of the purchase agreement in 2016. The fair value of the contingent consideration was determined using present value techniques with forecasted future cash flows for Fossil Spain as the significant unobservable input. Future revenue growth based on management s projections for the 2015 calendar year is approximately 18%. Operating expenses are projected to be approximately 25% of revenues for calendar year 2015. A discount rate of 19% was used to calculate the present value of the contingent consideration. The contingent consideration liability for calendar year 2015 is valued at the maximum annual variable price of 3.5 million euros (approximately $3.9 million). A decrease in future cash flows may result in a lower estimated fair value of the calendar year 2015 contingent consideration liability. Future changes in the estimated fair value of the contingent consideration liability, if any, will be reflected in earnings.

In accordance with the provisions of ASC 360, *Property, Plant and Equipment*, property, plant and equipment net with a carrying amount of $6.5 million, as of July 4, 2015, related to retail store leasehold improvements and fixturing was fully impaired, and related key money in the amount of $0.1 million was deemed not recoverable, resulting in an impairment charge of $6.6 million for the Year To Date Period.

The fair values of assets related to the Company-owned retail stores were determined using Level 3 inputs. Of the $6.6 million impairment expense, $3.8 million, $0.8 million and $0.4 million was recorded in SG&A in the Europe, Americas and Asia segments, respectively, and $1.6 million was recorded in restructuring charges in the Americas segment.

12. INTANGIBLE AND OTHER ASSETS

The following table summarizes intangible and other assets (in thousands):

		July 4, 2015		January 3, 2015	
At Fiscal Year End	**Useful Lives**	**Gross Amount**	**Accumulated Amortization**	**Gross Amount**	**Accumulated Amortization**
Intangibles-subject to amortization:					
Trademarks	10 yrs.	$ 4,175	$ 3,074	$ 4,174	$ 2,950
Customer lists	5-10 yrs.	44,096	19,211	41,703	17,457
Patents	3-20 yrs.	2,273	2,046	2,273	1,902
Noncompete agreement	6 yrs.	1,823	987	1,855	851
Other	7-20 yrs.	573	465	353	341
Total intangibles-subject to amortization		52,940	25,783	50,358	23,501
Intangibles-not subject to amortization:					
Trade names		83,634		83,610	
Other assets:					
Key money deposits		30,165	19,117	31,892	18,661
Other deposits		22,159		21,854	
Deferred compensation plan assets		2,515		2,477	
Deferred tax asset-net		7,617		8,583	
Restricted cash		529		575	
Shop-in-shop		12,655	9,587	16,333	9,660
Interest rate swap		743		1,724	

Forward contracts		664				1,802		
Other		7,067				6,978		
Total other assets		84,114		28,704		92,218		28,321
Total intangible and other assets	$	220,688	$	54,487	$	226,186	$	51,822
Total intangible and other assets-net			$	166,201			$	174,364

Key money is the amount of funds paid to a landlord or tenant to acquire the rights of tenancy under a commercial property lease for a certain property. Key money represents the right to lease with an automatic right of renewal. This right can be subsequently sold by the Company or can be recovered should the landlord refuse to allow the automatic right of renewal to be exercised. Key money is amortized over the initial lease term, which ranges from approximately four to 18 years.

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Amortization expense for intangible assets was approximately $1.4 million and $1.3 million for the Second Quarter and Prior Year Quarter, respectively, and $2.5 million and $2.6 million for the Year To Date Period and Prior Year YTD Period, respectively. Estimated aggregate future amortization expense by fiscal year for intangible assets is as follows (in thousands):

Fiscal Year	Amortization Expense
2015 (remaining)	$ 2,441
2016	$ 4,871
2017	$ 4,613
2018	$ 4,258
2019	$ 4,163
2020	$ 3,655

13. COMMITMENTS AND CONTINGENCIES

Litigation. The Company is occasionally subject to litigation or other legal proceedings in the normal course of its business. The Company does not believe that the outcome of any currently pending legal matters, individually or collectively, will have a material effect on the business or financial condition of the Company.

14. DEBT ACTIVITY

On March 9, 2015, the Company entered into an Amended and Restated Credit Agreement (the Credit Agreement). The Credit Agreement provides for (i) revolving credit loans in the amount of $1.05 billion (the Revolving Credit Facility), with an up to $20.0 million subfacility for swingline loans (the Swingline Loan), and an up to $10.0 million subfacility for letters of credit, and (ii) a term loan in the amount of $231.3 million (the Term Loan). The Credit Agreement expires and is due and payable on May 17, 2018.

The Company s obligations under the Credit Agreement are unsecured, and none of the Company s subsidiaries are guarantors of the Company s obligations under the Credit Agreement. Upon the occurrence of both (i) the Moody s Investor Service, Inc. rating of the Company falling below Ba1 and (ii) the Standard & Poor s Financial Services LLC rating of the Company falling below BB+, the Company s obligations under the Credit Agreement will be required to be guaranteed by all direct and indirect material domestic subsidiaries of the Company, as provided in a subsidiary guaranty agreement, and secured by 65% of the total outstanding voting capital stock and 100% of the non-voting capital stock of the Company s material first-tier foreign subsidiaries, pursuant to a pledge agreement. The Credit Agreement refinanced the indebtedness under the Prior Agreement (as defined below) and may be used (i) to finance the acquisition of capital assets, (ii) for ongoing working capital and other general corporate purposes and (iii) to repurchase the Company s capital stock to the extent permitted under the Credit Agreement.

The Credit Agreement amended and restated that certain credit agreement, dated as of May 17, 2013, as amended, which was scheduled to mature on May 17, 2018 (the Prior Agreement). Under the Prior Agreement, the Company incurred approximately $1.6 million and $1.0 million of interest expense during the first quarter of fiscal 2015 related to outstanding revolving credit loans and term loans, respectively, including the impact of the related interest rate swap. As of March 9, 2015, the Company had $555.0 million in aggregate principal amount of revolving credit loans (the Prior Revolver) outstanding and $231.3 million in aggregate principal amount of term loans (the Prior Term Loan) outstanding under the Prior Agreement, all of which was refinanced on March 9, 2015 with borrowings under the Credit Agreement. No penalties or other early termination fees were incurred in connection with the amendment and restatement of the Prior Agreement.

Amounts outstanding under the Revolving Credit Facility and the Term Loan under the Credit Agreement bear interest, at the Company s option, at (i) the base rate (defined as the highest of (a) the prime rate publicly announced by Wells Fargo, (b) the federal funds rate plus 0.5% and (c) LIBOR for an interest period of one month plus 1.0%) plus the base rate applicable margin (which varies, based upon the Company s consolidated total leverage ratio, from 0.25%, if the consolidated total leverage ratio is less than 1.00 to 1.00, to 1.00%, if the consolidated total leverage ratio is greater than or equal to 2.00 to 1.00) or (ii) the LIBOR rate (defined as the quotient obtained by dividing (a) LIBOR by (b) 1.00 minus the Eurodollar reserve percentage) plus the LIBOR rate applicable margin (which varies, based upon the consolidated total leverage ratio, from 1.25%, if the consolidated total leverage ratio is less than 1.00 to 1.00, to 2.00%, if the consolidated total leverage ratio is greater than or equal to 2.00 to 1.00). Amounts outstanding under the Swingline Loan under the Credit Agreement or upon any drawing under a letter of credit bear interest at the base rate plus the applicable margin. Interest based upon the base rate is payable quarterly in arrears. Interest based upon the LIBOR rate is payable on the last day of the applicable interest period.

Financial covenants governing the Credit Agreement require the Company to maintain (i) a consolidated total leverage ratio no greater than 2.50 to 1.00 and (ii) a consolidated interest coverage ratio no less than 3.50 to 1.00. The Credit Agreement contains representations, warranties, covenants, events of default and indemnities that are customary for agreements of this type.

The Company is required to pay a commitment fee on the unused amounts of the commitments under the Revolving Credit Facility under the Credit Agreement, payable quarterly in arrears, ranging from 0.20% to 0.35%, based on the consolidated total leverage ratio. In connection with any letter of credit, the Company is required to pay (i) a letter of credit commission, payable quarterly in arrears, in an amount equal to the daily amount available to be drawn under such letter of credit multiplied by the applicable margin with respect to revolving credit loans that are LIBOR rate loans, (ii) a fronting fee, payable quarterly in arrears, as set forth in the applicable letter of credit application or as otherwise separately agreed by the Company and the issuing lender and (iii) normal and customary costs and expenses incurred or charged by the issuing lender in issuing, effecting payment under, amending or otherwise administering the letter of credit.

Loans under the Credit Agreement may be prepaid, in whole or in part, at the option of the Company, in minimum principal amounts of (i) $2.0 million or increments of $1.0 million in excess thereof, with respect to a base rate loan under the Revolving Credit Facility, (ii) $5.0 million or increments of $1.0 million in excess thereof, with respect to a LIBOR rate loan under the Revolving Credit Facility, (iii) $5.0 million or increments of $1.0 million in excess thereof, with respect to the Term Loan and (iv) $0.1 million or increments of $0.1 million in excess thereof, with respect to a Swingline Loan. Loans under the Credit Agreement must be repaid with the net cash proceeds of certain asset sales or insurance and condemnation events. The Company may permanently reduce the revolving credit commitment at any time, in whole or in part, without premium or penalty, in a minimum aggregate principal amount of not less than $3.0 million or increments of $1.0 million in excess thereof.

The repayment obligation under the Credit Agreement can be accelerated upon the occurrence of an event of default, including the failure to pay principal or interest, a material inaccuracy of a representation or warranty, violation of covenants, cross-default, change in control, bankruptcy events, failure of a loan document provision, certain ERISA events and material judgments.

The Company made net principal payments of $3.1 million under the Term Loan during the Second Quarter and $6.3 million in the aggregate under the Term Loan and Prior Term Loan during the Year To Date Period. The Company had net borrowings of $51.7 million under the Revolving Credit Facility during the Second Quarter and $69.7 million in the aggregate under the Revolving Credit Facility and Prior Revolver during the Year To Date Period. Borrowings were primarily used to fund stock repurchases, capital expenditures and normal operating expenses. As of July 4, 2015, the Company had $225.0 million and $458.7 million outstanding under the Term Loan and the Revolving Credit Facility, respectively. Amounts available under the Revolving Credit Facility are reduced by any amounts outstanding under standby letters of credit. As of July 4, 2015, the Company had available borrowing capacity of approximately $590.4 million under the Revolving Credit Facility, which was favorably impacted by a $400.0 million international cash balance. The Company incurred approximately $1.5 million and $2.0 million of interest expense related to the Term Loan during the Second Quarter and Year To Date Period, respectively, including the impact of the related interest rate swap. The Company incurred approximately $2.8 million and $3.5 million of interest expense related to the Revolving Credit Facility during the Second Quarter and Year To Date Period, respectively. The Company was in compliance with all covenants in the Term Loan and Revolving Credit Facility as of July 4, 2015.

15. RESTRUCTURING

The Company implemented a restructuring program in the first quarter of fiscal year 2015 to optimize its operating structure and store locations. The costs associated with this plan include various charges, including severance and other employment related costs, professional services and costs related to store closures. The following tables show a rollforward of the liability incurred for the Company s restructuring plan (in thousands):

	For the 13 Weeks ended July 4, 2015					
	Organizational Realignment		Retail Profitability		Total	
Balance at April 4, 2015	$	3,075	$	0	$	3,075
Charges to expense (1)		4,586		1,885		6,471
Cash payments		(3,763)		0		(3,763)
Non-cash items		0		(1,885)		(1,885)
Balance at July 4, 2015	$	3,898	$	0	$	3,898

	For the 26 Weeks ended July 4, 2015					
	Organizational Realignment		Retail Profitability		Total	
Balance at January 3, 2015	$	0	$	0	$	0
Charges to expense (1)		12,317		6,242		18,559
Cash payments		(8,419)		(3,861)		(12,280)
Non-cash items		0		(2,381)		(2,381)
Balance at July 4, 2015	$	3,898	$	0	$	3,898

(1) Charges to expense include changes in estimates

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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 Group, Inc. and its subsidiaries for the thirteen and twenty-six week periods ended July 4, 2015 (the Second Quarter and Year To Date Period, respectively) as compared to the thirteen and twenty-seven week periods ended July 5, 2014 (the Prior Year Quarter and Prior Year YTD Period, respectively). The Company s fiscal year periodically results in a 53-week year instead of a normal 52-week year. The prior fiscal year ended January 3, 2015 was a 53-week year, with the additional week included in the first quarter of the fiscal year. Accordingly, the information presented herein includes twenty-six weeks of operations for the Year To Date Period as compared to twenty-seven weeks included in the Prior Year YTD Period. This discussion should be read in conjunction with the condensed consolidated financial statements and the related notes thereto.

General

We are a global design, marketing and distribution company that specializes in consumer fashion accessories. Our principal offerings include an extensive line of men s and women s fashion watches and jewelry, handbags, small leather goods, belts, sunglasses, soft accessories and select apparel. In the watch and jewelry product categories, we have a diverse portfolio of globally recognized owned and licensed brand names under which our products are marketed. Our products are distributed globally through various distribution channels, including wholesale in countries where we have a physical presence, direct to the consumer through our retail stores and commercial websites and through third party distributors in countries where we do not maintain a physical presence. Our products are offered at varying price points to meet the needs of our customers, whether they are value conscious or luxury oriented. Based on our extensive range of accessory products, brands, distribution channels and price points, we are able to target style conscious consumers across a wide age spectrum on a global basis.

Domestically, we sell our products through a diversified distribution network that includes department stores, specialty retail locations, specialty watch and jewelry stores, Company-owned retail and outlet stores, mass market stores and through our FOSSIL® website. Our wholesale customer base includes, among others, Dillard s, JCPenney, Kohl s, Macy s, Neiman Marcus, Nordstrom, Saks Fifth Avenue, Target and Wal-Mart. In the United States, our network of Company-owned stores included 110 retail stores located in premier retail sites and 133 outlet stores located in major outlet malls as of July 4, 2015. In addition, we offer an extensive collection of our FOSSIL brand products on our website, *www.fossil.com*, as well as proprietary and licensed watch and jewelry brands through other managed and affiliate websites.

Internationally, our products are sold to department stores, specialty retail stores and specialty watch and jewelry stores in approximately 150 countries worldwide through 26 Company-owned foreign sales subsidiaries and through a network of approximately 75 independent distributors. Our products are offered on airlines and cruise ships and in international Company-owned retail stores. Internationally, our network of Company-owned stores included 245 retail stores and 120 outlet stores in select international markets as of July 4, 2015. Our products are also sold through licensed and franchised FOSSIL retail stores, retail concessions operated by us and kiosks in certain international markets, as well as our websites in certain countries.

Our business is subject to economic cycles and consumer spending conditions. Purchases of discretionary fashion accessories, such as our watches, handbags, jewelry and other products, tend to decline during recessionary periods when disposable income is lower and consumers are hesitant to use available credit. If economic conditions worsen, or if the global or regional economies slip back into a recession, our revenues and earnings could be negatively impacted.

Our business is also subject to the risks inherent in global sourcing of supply. Certain key components in our products come from limited sources of supply, which exposes us to potential supply shortages that could disrupt the manufacture and sale of our products. Any interruption or delay in the supply of key components could significantly harm our ability to meet scheduled product deliveries to our customers and cause us to lose sales. Interruptions or delays in supply may be caused by a number of factors that are outside of our and our contract manufacturers control, such as natural disasters like the earthquake and tsunami in Japan in early fiscal year 2011.

Future sales and earnings growth are also contingent upon our ability to anticipate and respond to changing fashion trends and consumer preferences in a timely manner while continuing to develop innovative products in the respective markets in which we compete. As is typical with new products, market acceptance of new designs and products that we may introduce is subject to uncertainty. In addition, we generally make decisions regarding product designs several months in advance of the time when consumer acceptance can be measured. We believe our historical sales growth is the result of our ability to design innovative watch products that not only differentiate us from our competition but also continue to provide a solid value proposition to consumers across all of our brands.

The majority of our products are sold at price points ranging from $85 to $600. We believe that the price/value relationship and the differentiation and innovation of our products, in comparison to those of our competitors, will allow us to maintain or grow our market share in those markets in which we compete. Historically, during recessionary periods, the strength of our balance sheet, our strong operating cash flow and the relative size of our business with our wholesale customers, in comparison to that of our competitors, have allowed us to weather recessionary periods for longer periods of time and generally resulted in market share gains to us.

Our international operations are subject to many risks, including foreign currency fluctuations and risks related to the global economy. Generally, a strengthening of the U.S. dollar against currencies of other countries in which we operate will reduce the translated amounts of sales and operating expenses of our subsidiaries, which results in a reduction of our consolidated operating income. We manage these currency risks by using derivative instruments. The primary risks managed by using derivative instruments are the future payments by non-U.S. dollar functional currency subsidiaries of intercompany inventory transactions denominated in U.S. dollars. We enter into foreign exchange forward contracts to manage fluctuations in global currencies that will ultimately be used to settle such U.S. dollar denominated inventory purchases.

For a more complete discussion of the risks facing our business, see Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended January 3, 2015.

Results of Operations

Executive Summary. During the Second Quarter, net sales decreased 4% (increased 2% in constant currency), as compared to the Prior Year Quarter. On a constant currency basis, sales growth included modest increases in the Americas, Europe and Asia as well as growth in our owned FOSSIL and SKAGEN® lifestyle brands, which we believe are early indicators that our demand creation initiatives are working. During the Second Quarter, sales of our FOSSIL branded products decreased 2% (increased 6% in constant currency), and our SKAGEN branded products increased 10% (21% in constant currency), while our multi-brand global watch portfolio decreased 6% (flat in constant currency). On a constant currency basis, FOSSIL brand sales expanded across all regions during the Second Quarter with solid growth in watches and leathers, partially offset by a decrease in jewelry products as compared to the Prior Year Quarter. SKAGEN brand sales delivered double-digit growth across each region led by watches on a constant currency basis, and we also saw positive responses to the leathers and jewelry lines. During the Second Quarter, our multi-brand global watch portfolio sales in constant currency were flat to the Prior Year Quarter as increases in the Americas were offset by decreases in Europe and Asia. We believe Europe and Asia represent a significant opportunity to gain market share given we are underpenetrated in many markets around the world. Global comparable store sales increased 2.4% in our owned retail stores. Positive comparable store sales results in the Americas and Europe were partially offset by a decline in Asia. From a product category perspective, comparable store sales gains in watches and leathers were partially offset by a decline in jewelry.

During the Second Quarter, gross profit decreased and the gross margin rate contracted as compared to the Prior Year Quarter primarily driven by changes in foreign currencies. Excluding the impacts of currency, the gross margin rate expanded mainly due to the favorable impacts of our pricing initiatives which more than offset the impact of continued outlet promotions. Our operating margin contracted during the Second Quarter primarily as a result of the unfavorable impact of currencies.

During the Second Quarter, we invested $103 million to repurchase 1.3 million shares of our common stock. Our financial performance, including the unfavorable impacts of currencies combined with our repurchase activity, resulted in earnings of $1.12 per diluted share.

Quarterly Periods Ended July 4, 2015 and July 5, 2014

Consolidated Net Sales. Net sales decreased $33.8 million or 4.4% (increased 2% in constant currency), for the Second Quarter as compared to the Prior Year Quarter. Global watch sales decreased $35.4 million or 5.8% (flat in constant currency), while our leathers product category contributed favorably to the Second Quarter net sales, increasing $2.1 million or 2.4% (9% in constant currency). Our jewelry category declined $0.4 million or 0.7% (increased 11% in constant currency), during the Second Quarter as compared to the Prior Year Quarter as a result of a strong performance in licensed jewelry, offset by a decrease in FOSSIL branded products.

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Net sales information by product category is summarized as follows (dollars in millions):

	For the 13 Weeks Ended July 4, 2015		For the 13 Weeks Ended July 5, 2014		Growth (Decline)	
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage
Watches	$ 575.8	77.8%	$ 611.2	79.0%	$ (35.4)	(5.8)%
Leathers	89.4	12.1	87.3	11.3	2.1	2.4
Jewelry	55.8	7.5	56.2	7.2	(0.4)	(0.7)
Other	19.0	2.6	19.1	2.5	(0.1)	(0.5)
Total	$ 740.0	100.0%	$ 773.8	100.0%	$ (33.8)	(4.4)%

As a multinational enterprise, we are exposed to changes in foreign currency exchange rates. The translation of the operations of our foreign-based entities from their local currencies into U.S. dollars is sensitive to changes in foreign currency exchange rates. In general, our overall financial results are affected positively by a weaker U.S. dollar and are affected negatively by a stronger U.S. dollar as compared to the foreign currencies in which we conduct our business. In the Second Quarter, the translation of foreign-based net sales into U.S. dollars decreased reported net sales by approximately $50.9 million, including unfavorable impacts of $35.1 million, $9.9 million and $5.9 million in our Europe, Asia and Americas segments, respectively.

The following table sets forth consolidated net sales by segment (dollars in millions):

	For the 13 Weeks Ended July 4, 2015		For the 13 Weeks Ended July 5, 2014		Growth (Decline)	
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage
Americas	$ 386.1	52.2%	$ 380.7	49.2%	$ 5.4	1.4%
Europe	227.9	30.8	259.0	33.5	(31.1)	(12.0)
Asia	126.0	17.0	134.1	17.3	(8.1)	(6.0)
Total	$ 740.0	100.0%	$ 773.8	100.0%	$ (33.8)	(4.4)%

Americas Net Sales. Americas net sales increased $5.4 million or 1.4% (3% in constant currency), during the Second Quarter in comparison to the Prior Year Quarter. The sales increase in the region was primarily driven by our retail channel. Comparable store sales increased modestly in our owned retail stores, driven by improved conversion resulting from compelling promotions in the outlet channel as traffic continued to decline. Wholesale sales were flat on a constant currency basis, as international increases offset declines in the U.S. where the department store channel continues to be challenging. During the Second Quarter, our leathers category increased $3.3 million or 5.8% (7% in constant currency) and our jewelry business increased $2.6 million or 14.5% (17% in constant currency), while our multi-brand watch portfolio decreased $0.1 million and was flat on a percentage basis (increased 1% in constant currency). Additionally, during the Second Quarter, the Americas region continued to benefit from the addition of newer licensed brands to our portfolio.

Europe Net Sales**.** Europe net sales decreased $31.1 million or 12.0% (increased 2% in constant currency), with France driving the slight increase in constant currency. In the Second Quarter, sales in Germany were roughly flat to the Prior

Year Quarter, and the United Kingdom declined partially attributable to a strong performance in the Prior Year Quarter when orders were shipped early, ahead of a warehouse transition. Sales in Italy also declined during the Second Quarter. From a product category perspective, sales performance was led by (i) a $26.3 million or 13.4% decrease (1% in constant currency), in our multi-brand watch portfolio, (ii) a $3.0 million or 8.2% decrease (8% increase in constant currency), in jewelry and (iii) a $2.1 million or 11.4% decrease (5% increase in constant currency), in leather products, during the Second Quarter as compared to the Prior Year Quarter. In the Europe segment, the constant currency increase was driven by our retail channel, where comparable store sales increased slightly in our owned retail stores with the strongest performance in the outlet channel.

Asia Net Sales. Net sales in Asia decreased $8.1 million or 6.0% (increased 1% in constant currency). In constant currency, India, Japan and Australia were the strongest performing markets and were partially offset by continued weakness in South Korea. Our watch and jewelry categories decreased $9.0 million or 7.7% (1% in constant currency) and $0.1 million or 3.8% (increased 6% in constant currency), respectively, while our leathers business increased $0.9 million or 7.1% (19% in constant currency) during the Second Quarter as compared to the Prior Year Quarter. Comparable store sales in the region decreased modestly in our owned retail stores with the strongest performance in the outlet channel. Comparable concession sales also decreased in the region during the Second Quarter.

The following table sets forth the number of stores by concept on the dates indicated below:

	July 4, 2015				July 5, 2014			
	Americas	**Europe**	**Asia**	**Total**	**Americas**	**Europe**	**Asia**	**Total**
Full price accessory	138	126	63	327	148	114	51	313
Outlets	145	66	42	253	129	49	35	213
Full priced multi-brand	1	5	22	28	6	6	20	32
Total stores	284	197	127	608	283	169	106	558

During the Second Quarter, we opened eight new stores and closed fourteen stores. For the remainder of fiscal year 2015, we anticipate opening approximately 34 additional retail stores and closing approximately 19 retail stores globally.

A store is included in comparable store sales in the thirteenth month of operation. Stores that experience a gross square footage increase of 10% or more due to an expansion and/or relocation are removed from the comparable store sales base, but are included in total sales. These stores are returned to the comparable store sales base in the thirteenth month following the expansion and/or relocation.

Gross Profit. Gross profit of $409.5 million in the Second Quarter decreased 7.9% in comparison to $444.6 million in the Prior Year Quarter as a result of decreased sales and gross profit margin contraction. Gross profit margin decreased 220 basis points to 55.3% in the Second Quarter compared to 57.5% in the Prior Year Quarter primarily driven by changes in foreign currencies. Excluding the impacts of currency, gross profit margin expansion was driven primarily by our pricing initiatives, which more than offset the impact of continued outlet promotions.

Operating Expenses. Total operating expenses in the Second Quarter decreased by $20.8 million and, as a percentage of net sales, decreased to 45.8% as compared to 46.5% in the Prior Year Quarter. The translation of foreign-denominated expenses in the Second Quarter decreased operating expenses by approximately $25.4 million as a result of the stronger U.S. dollar. Restructuring costs of $6.5 million and the impact of fiscal 2014 store investments that had yet to anniversary were offset by the favorable impact of changes in foreign currencies, lower infrastructure spending and reduced marketing and customer engagement costs mainly due to a timing shift, including an earlier Baselworld in fiscal 2015.

Consolidated Operating Income. Operating income decreased by $14.3 million, or 17.0%, in the Second Quarter compared to the Prior Year Quarter as the impact of the comparable sales increase on a constant currency basis was more than offset by the unfavorable impact of currencies. As a percentage of net sales, operating margin decreased to 9.5% in the Second Quarter compared to 11.0% of net sales in the Prior Year Quarter, driven primarily by an approximate 290 basis point unfavorable impact from changes in foreign currencies.

Sales and gross margins were negatively impacted by currencies in all regional segments. On a constant currency basis, sales grew modestly across all geographies and gross profit margin in Europe expanded, while gross profit margin in the Americas and Asia contracted. Gross profit margin in all regions was negatively impacted by continued outlet promotions, offset by a favorable impact from our pricing initiatives. The gross profit margin in the Americas was also negatively impacted by an increased mix of sales in the off-price channel, while Asia and Europe were unfavorably impacted by an increased mix of outlet store sales. Operating expenses decreased in all regions largely due to the favorable impact of foreign currency changes partially offset by store and concession investments made in fiscal 2014 that had yet to anniversary and restructuring charges. Additionally, Europe and Asia expenses were favorably impacted by lower marketing and customer engagement costs largely due to a timing shift. Corporate operating expenses in the Second Quarter were flat in comparison to the Prior Year Quarter as restructuring charges were offset by decreased compensation costs.

During the Second Quarter, translation of foreign-based sales and expenses into U.S. dollars decreased operating income by approximately $27.6 million. Operating income by segment is summarized as follows (dollars in millions):

	For the 13 Weeks Ended July 4, 2015	For the 13 Weeks Ended July 5, 2014	Growth (Decline) Dollars	Growth (Decline) Percentage	Operating Margin % 2015	Operating Margin % 2014
Americas	$ 86.0	$ 88.8	$ (2.8)	(3.2)%	22.3%	23.3%
Europe	41.8	46.8	(5.0)	(10.7)	18.3	18.1
Asia	20.6	27.2	(6.6)	(24.3)	16.3	20.3
Corporate	(78.0)	(78.0)		0.0		
Total operating income	$ 70.4	$ 84.8	$ (14.4)	(17.0)%	9.5%	11.0%

Interest Expense. Interest expense increased by $1.1 million during the Second Quarter as a result of increased debt levels in comparison to the Prior Year Quarter.

Other Income (Expense)-Net. During the Second Quarter, other income (expense)-net increased by $15.4 million to $14.3 million in comparison to the Prior Year Quarter. This increase was primarily driven by net foreign currency gains resulting from mark-to-market hedging and other transactional activities as compared to net losses in the Prior Year Quarter and a $5.2 million gain related to an interest rate hedge settlement.

***Provision for Income Taxes*.** Income tax expense for the Second Quarter was $22.9 million, resulting in an effective income tax rate of 28.7%. For the Prior Year Quarter, income tax expense was $24.9 million, resulting in an effective income tax rate of 31.2%. The lower effective tax rate in the Second Quarter as compared to the Prior Year Quarter was primarily attributable to the recognition of income tax benefits due to the settlement of audits.

Net Income Attributable to Fossil Group, Inc. Second Quarter net income attributable to Fossil Group, Inc. increased by 4.1% to $54.6 million, or $1.12 per diluted share, in comparison to $52.5 million, or $0.98 per diluted share, in the Prior Year Quarter. Diluted earnings per share in the Second Quarter included a $0.30 per diluted share decrease related to foreign currency changes. Excluding currency impacts, diluted earnings per share included a $0.10 per diluted share decrease related to restructuring charges, offset by constant currency sales growth, a reduction in average shares outstanding and a $0.09 per diluted share increase resulting from non-operating gains. The non-operating gains increase consisted of a $0.04 per diluted share increase associated with lower taxes driven by favorable results from prior year tax audits completed during the Second Quarter and a net $0.05 per diluted share increase related to financing activities.

Fiscal Year To Date Periods Ended July 4, 2015 and July 5, 2014

Consolidated Net Sales. Net sales decreased $85.3 million or 5.5% (increased 4% in constant currency and comparable calendar), for the Year To Date Period as compared to the Prior Year YTD Period, which included an extra week as fiscal 2014 was a 53-week year compared to a 52-week year for fiscal 2015. Global watch sales decreased $84.9 million or 7.0% (increased 2% in constant currency and comparable calendar). Our jewelry product category contributed favorably to the Year To Date Period net sales, increasing $6.1 million or 5.4% (20% in constant currency and comparable calendar), as a result of a strong performance in licensed jewelry, partially offset by a decrease in FOSSIL branded products. Our leathers category declined $4.8 million or 2.6% (increased 6% in constant currency and comparable calendar), during the Year To Date Period as compared to the Prior Year YTD Period. Global comparable store sales increased 2.1% in our owned retail stores normalized for the 53-week calendar. Positive comparable store sales results in the Americas and Europe were partially offset by a decline in Asia. From a product category perspective, comparable sales gains in watches and leathers were partially offset by a decline in jewelry.

Net sales information by product category is summarized as follows (dollars in millions):

For the 26 Weeks Ended July 4, 2015	For the 27 Weeks Ended July 5, 2014	Growth (Decline)

	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage
Watches	$ 1,127.7	77.0%	$ 1,212.6	78.2%	$ (84.9)	(7.0)%
Leathers	182.3	12.4	187.1	12.1	(4.8)	(2.6)
Jewelry	118.8	8.1	112.7	7.3	6.1	5.4
Other	36.3	2.5	38.0	2.4	(1.7)	(4.5)
Total	$ 1,465.1	100.0%	$ 1,550.4	100.0%	$ (85.3)	(5.5)%

In the Year To Date Period, the translation of foreign-based net sales into U.S. dollars decreased reported net sales by approximately $96.1 million, including unfavorable impacts of $68.9 million, $17.1 million and $10.1 million in our Europe, Asia and Americas segments, respectively.

The following table sets forth consolidated net sales by segment (dollars in millions):

	For the 26 Weeks Ended July 4, 2015		For the 27 Weeks Ended July 5, 2014		Growth (Decline)	
	Net Sales	Percentage of Total	Net Sales	Percentage of Total	Dollars	Percentage
Americas	$ 752.7	51.4%	$ 763.4	49.2%	$ (10.7)	(1.4)%
Europe	462.2	31.5	519.3	33.5	(57.1)	(11.0)
Asia	250.2	17.1	267.7	17.3	(17.5)	(6.5)
Total	$ 1,465.1	100.0%	$ 1,550.4	100.0%	$ (85.3)	(5.5)%

Americas Net Sales. For the Year To Date Period, Americas net sales decreased $10.7 million or 1.4% (increased 3% in constant currency and comparable calendar), compared to the Prior Year YTD Period. Sales performance in the Year To Date Period was principally driven by sales declines in watches of $21.1 million or 3.6% (increased 1% in constant currency and comparable calendar). This sales decrease was partially offset by increases in jewelry and leathers of $10.8 million or 30.9% (37% in constant currency and comparable calendar) and $0.4 million or 0.4% (4% in constant currency and comparable calendar), respectively. Comparable store sales increased modestly in our owned retail stores during the Year To Date Period.

***Europe Net Sales*.** Europe net sales decreased $57.1 million or 11.0% (increased 5% in constant currency and comparable calendar), for the Year To Date Period as compared to the Prior Year YTD Period. The sales performance was led by a $45.7 million or 11.7% decrease in watch sales (4% increase in constant currency and comparable calendar). Our leathers and jewelry categories also declined $6.3 million or 15.4% (increased 4% in constant currency and comparable calendar) and $4.5 million or 6.1% (increased 13% in constant currency and comparable calendar), respectively. Comparable store sales increased slightly in our owned retail stores during the Year To Date Period.

Asia Net Sales. For the Year To Date Period as compared to the Prior Year YTD Period, Asia net sales decreased $17.5 million or 6.5% (increased 3% in constant currency and comparable calendar), principally as a result of an $18.1 million or 7.8% decrease (1% increase in constant currency and comparable calendar), in watches, partially offset by a $1.1 million or 4.2% increase (18% in constant currency and comparable calendar), in leathers products. Comparable store sales in the region decreased modestly in our owned retail stores with the strongest performance in the outlet channel. Comparable concession sales also decreased in the region during the Year To Date Period.

Constant Currency and Comparable Calendar Financial Information. The following table presents our business segment and product net sales on a constant currency and comparable calendar basis. To calculate net sales on a constant currency basis, net sales for the Year To Date Period for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the average rates during the Prior Year YTD Period. To calculate net sales on a comparable calendar basis, we have estimated the impact on net sales of the extra week in the Prior Year YTD Period.

Our presentations of net sales on a constant currency and comparable calendar basis are non-GAAP financial measures. We present net sales on a constant currency and comparable calendar basis because we believe that such information is useful to certain investors as a measure of our results of operations year-over-year without the effects of foreign currency fluctuations and the extra week in the Prior Year YTD Period.

(in millions)	Net Sales For the 26 Weeks Ended July 4, 2015 As Reported	Impact of Foreign Currency Exchange Rates	Constant Currency	Net Sales For the 27 Weeks Ended July 5, 2014 As Reported	Estimated Impact of Extra Week	Estimated Comparable Calendar
Watches	$ 1,127.7	$ (70.5)	$ 1,198.2	$ 1,212.6	$ 34.5	$ 1,178.1
Leathers	182.3	(10.3)	192.6	187.1	5.8	181.3
Jewelry	118.8	(12.6)	131.4	112.7	3.2	109.5
Other	36.3	(2.7)	39.0	38.0	1.1	36.9
Total net sales	$ 1,465.1	$ (96.1)	$ 1,561.2	$ 1,550.4	$ 44.6	$ 1,505.8

(in millions)	Net Sales For the 26 Weeks Ended July 4, 2015 As Reported	Impact of Foreign Currency Exchange Rates	Constant Currency	Net Sales For the 27 Weeks Ended July 5, 2014 As Reported	Estimated Impact of Extra Week	Estimated Comparable Calendar
Americas	$ 752.7	$ (10.1)	$ 762.8	$ 763.4	$ 21.8	$ 741.6
Europe	462.2	(68.9)	531.1	519.3	15.1	504.2
Asia	250.2	(17.1)	267.3	267.7	7.7	260.0
Total net sales	$ 1,465.1	$ (96.1)	$ 1,561.2	$ 1,550.4	$ 44.6	$ 1,505.8

Gross Profit. For the Year To Date Period, gross profit margin decreased 200 basis points to 55.3% compared to 57.3% in the Prior Year YTD Period. The decreased gross profit margin was primarily driven by the same factors impacting the Second Quarter.

Operating Expenses. For the Year To Date Period, operating expenses as a percentage of net sales increased to 46.7% compared to 45.0% in the Prior Year YTD Period and included a $49.4 million favorable impact from the translation of foreign-based expenses into U.S. dollars. On a constant currency basis, operating expenses for the Year To Date Period increased by $34.6 million primarily as a result of the impact of fiscal 2014 store investments that had yet to anniversary, restructuring charges and increased marketing and brand building expenses, partially offset by the additional week of operations included in the Prior Year YTD Period.

Consolidated Operating Income. Operating income decreased by $62.9 million, or 33.2%, in the Year To Date Period as compared to the Prior Year YTD Period as the impact of the comparable sales increase on a constant currency and comparable calendar basis was more than offset by the unfavorable impact of currencies, restructuring charges and the impact of the fiscal 2014 store investments that had yet to anniversary. As a percentage of net sales, operating income decreased to 8.6% in the Year To Date Period as compared to 12.2% in the Prior Year YTD Period and included a 230 basis point unfavorable impact from changes in foreign currencies.

Sales and gross margins were negatively impacted by currencies in all regional segments. On a constant currency and comparable calendar basis, sales grew in each regional segment and gross margins expanded modestly in Europe while contracting in the Americas and Asia, primarily as a result of the same factors impacting the Second Quarter. Operating expenses deleveraged in all regions largely due to store and concession investments made in fiscal 2014 that had yet to anniversary and restructuring costs. Additionally, Europe expenses included increased compensation and back office expenses and the Americas included increased marketing and customer engagement costs. Corporate operating expenses in the Year To Date Period increased slightly compared to the Prior Year YTD Period, as restructuring costs were offset by decreased compensation and back office expenses.

During the Year To Date Period, the translation of foreign-based sales and expenses into U.S. dollars decreased operating income by approximately $43.7 million. Operating income by segment is summarized as follows (dollars in millions):

	For the 26 Weeks Ended July 4, 2015	For the 27 Weeks Ended July 5, 2014	Growth (Decline) Dollars	Growth (Decline) Percentage	Operating Margin % 2015	Operating Margin % 2014
Americas	$ 162.5	$ 187.9	$ (25.4)	(13.5)%	21.6%	24.6%
Europe	79.1	99.3	(20.2)	(20.3)	17.1	19.1
Asia	41.1	58.1	(17.0)	(29.3)	16.4	21.7
Corporate	(156.1)	(155.8)	(0.3)	(0.2)		
Total operating income	$ 126.6	$ 189.5	$ (62.9)	(33.2)%	8.6%	12.2%

Interest Expense. Interest expense increased by $1.6 million during the Year To Date Period as a result of increased debt levels in comparison to the Prior Year YTD Period.

Other Income (Expense)-Net. During the Year To Date Period, other income (expense)-net increased by $22.9 million to $21.5 million in comparison to the Prior Year YTD Period. This increase was primarily driven by net foreign currency gains resulting from mark-to-market hedging and other transactional activities as compared to net losses in the Prior Year YTD Period and a $5.2 million gain related to an interest rate hedge settlement.

Provision for Income Taxes**.** Income tax expense for the Year To Date Period was $41.4 million, resulting in an effective income tax rate of 29.8%. For the Prior Year YTD Period, income tax expense was $56.4 million, resulting in an effective income tax rate of 31.2%. The lower effective tax rate in the Year To Date Period as compared to the Prior Year YTD Period was primarily attributable to the recognition of income tax benefits due to the settlement of audits.

Net Income Attributable to Fossil Group, Inc. Year To Date Period net income attributable to Fossil Group, Inc. decreased by 22.0% to $92.7 million, or $1.87 per diluted share, in comparison to $118.9 million, or $2.20 per diluted share, in the Prior Year YTD Period. Diluted earnings per share in the Year To Date Period included a $0.43 per diluted share decrease related to foreign currency changes. Excluding currency impacts, diluted earnings per share included a $0.27 per diluted share decrease related to restructuring charges, offset by constant currency sales growth, a reduction in average shares outstanding and a $0.09 per diluted share increase resulting from non-operating gains. The non-operating gains consisted of a $0.05 per diluted share increase associated with lower taxes driven by favorable results from prior year tax audits completed during the Second Quarter and a net $0.04 per diluted share increase related to financing activities.

Liquidity and Capital Resources

Historically, our business operations have not required substantial cash during the first several months of our fiscal year. Generally, starting in the third quarter, our cash needs begin to increase, typically reaching a peak in the September-November time frame as we increase inventory levels in advance of the holiday season. Our quarterly cash requirements are also impacted by the number of new stores we open, other capital expenditures and strategic investments such as acquisitions and stock repurchases. Our cash and cash equivalents balance at the end of the Second Quarter was $249.9 million, including $245.0 million held in banks outside the U.S., in comparison to cash and cash equivalents of $272.6 million at the end of the Prior Year Quarter and $276.3 million at the end of fiscal year 2014. We believe cash from operating activities as well as amounts available under our U.S. credit facilities are sufficient to meet our cash needs in the U.S. for the next 12 months.

For the Year To Date Period, we generated operating cash flow of $162.5 million. This operating cash flow combined with cash on hand and $63.0 million in net borrowings on our credit facilities was utilized to fund $218.7 million of common stock repurchases and $32.5 million of capital expenditures. Cash flows provided by operations were largely attributable to $97.5 million in net income, in addition to $58.2 million of net non-cash items and a $6.8 million net increase in working capital items including a $184.0 million reduction in accounts receivable.

Accounts receivable, net of allowances, decreased by 16.4% to $254.5 million at the end of the Second Quarter compared to $304.6 million at the end of the Prior Year Quarter, primarily as a result of increased collection efforts. Days sales outstanding for our wholesale businesses for the Second Quarter decreased to 41 days, compared to 46 days in the Prior Year Quarter.

Inventory at the end of the Second Quarter was $669.3 million, representing an increase of 0.8% from the Prior Year Quarter inventory balance of $664.2 million.

The following tables reflect our common stock repurchase activity under our repurchase programs for the periods indicated (in millions):

			For the 13 Weeks Ended July 4, 2015		For the 13 Weeks Ended July 5, 2014	
Fiscal Year Authorized	**Dollar Value Authorized**	**Termination Date**	**Number of Shares Repurchased**	**Dollar Value Repurchased**	**Number of Shares Repurchased**	**Dollar Value Repurchased**
2014	$ 1,000.0	December 2018	1.3	$ 102.5	0.0	$ 0.0
2012	$ 1,000.0	December 2016 (1)	0.0	$ 0.0	0.6	$ 67.3
2010	$ 30.0	None	0.0	$ 0.0	0.0	$ 0.0

			For the 26 Weeks Ended July 4, 2015		For the 27 Weeks Ended July 5, 2014	
Fiscal Year Authorized	**Dollar Value Authorized**	**Termination Date**	**Number of Shares Repurchased**	**Dollar Value Repurchased**	**Number of Shares Repurchased**	**Dollar Value Repurchased**
2014	$ 1,000.0	December 2018	2.2	$ 188.2	0.0	$ 0.0
2012	$ 1,000.0	December 2016 (1)	0.3	$ 28.8	1.6	$ 184.6
2010	$ 30.0	None	0.0	$ 0.0	0.0	$ 0.0

(1) In the first quarter of fiscal year 2015, we completed this repurchase plan.

We effectively retired 2.5 million shares of common stock repurchased under our repurchase plans during the Year To Date Period. We account for the retirements by allocating the repurchase price, which is based upon the equity contribution associated with historical issuances, to common stock, additional paid-in capital and retained earnings. The effective retirement of common stock repurchased during the Year To Date Period decreased common stock by approximately $25,500, additional paid-in capital by $0.6 million, retained earnings by $216.4 million and treasury stock by $217.0 million. We effectively retired 1.6 million shares of our common stock during the Prior Year YTD Period that was repurchased under our repurchase programs. The effective retirement of common stock repurchased during the Prior Year YTD Period decreased common stock by approximately $16,300, additional paid-in capital by $1.5 million, retained earnings by $183.1 million and treasury stock by $184.6 million. At January 3, 2015 and July 4, 2015, all treasury stock had been effectively retired. As of July 4, 2015, we had a total of $841.7 million of repurchase authorizations remaining under our combined repurchase programs.

At the end of the Second Quarter, we had working capital of $984.4 million compared to working capital of $976.3 million at the end of the Prior Year Quarter. Additionally, at the end of the Second Quarter, we had approximately $20.3 million of short-term borrowings and $674.4 million in long-term debt.

On March 9, 2015, we entered into an Amended and Restated Credit Agreement (the Credit Agreement). The Credit Agreement provides for (i) revolving credit loans in the amount of $1.05 billion (the Revolving Credit Facility), with an up to $20.0 million subfacility for swingline loans (the Swingline Loan), and an up to $10.0 million subfacility for letters of credit, and (ii) a term loan in the amount of $231.3 million (the Term Loan). The Credit Agreement expires and is due and payable on May 17, 2018. The Credit Agreement amended and restated that certain credit agreement, dated as of May 17, 2013, as amended (the Prior Agreement).

Our obligations under the Credit Agreement are unsecured, and none of our subsidiaries are guarantors of our obligations under the Credit Agreement. Upon the occurrence of both (a) the Moody s Investor Service, Inc. rating of us falling below Ba1 and (b) the Standard & Poor s Financial Services LLC rating of us falling below BB+, our obligations under the Credit Agreement will be required to be guaranteed by all of our direct and indirect material domestic subsidiaries, as provided in a subsidiary guaranty agreement, and secured by 65% of the total outstanding voting capital stock and 100% of the non-voting capital stock of our material first-tier foreign subsidiaries, pursuant to a pledge agreement. The Credit Agreement refinanced the indebtedness under the Prior Agreement and may be used (a) to finance the acquisition of capital assets, (b) for ongoing working capital and other general corporate purposes and (c) to repurchase our capital stock to the extent permitted under the Credit Agreement.

Amounts outstanding under the Revolving Credit Facility and the Term Loan under the Credit Agreement bear interest, at our option, at (i) the base rate (defined as the highest of (a) the prime rate publicly announced by Wells Fargo, (b) the federal funds rate plus 0.5% and (c) LIBOR for an interest period of one month plus 1.0%) plus the base rate applicable margin (which varies, based upon our consolidated total leverage ratio, from 0.25%, if the consolidated total leverage ratio is less than 1.00 to 1.00, to 1.00%, if the consolidated total leverage ratio is greater than or equal to 2.00 to 1.00) or (ii) the LIBOR rate (defined as the quotient obtained by dividing (a) LIBOR by (b) 1.00 minus the Eurodollar reserve percentage) plus the LIBOR rate applicable margin (which varies, based upon the consolidated total leverage ratio, from 1.25%, if the consolidated total leverage ratio is less than 1.00 to 1.00, to 2.00%, if the consolidated total leverage ratio is greater than or equal to 2.00 to 1.00). Amounts outstanding under the Swingline Loan under the Credit Agreement or upon any drawing under a letter of credit bear interest at the base rate plus the applicable margin. Interest based upon the base rate is payable quarterly in arrears. Interest based upon the LIBOR rate is payable on the last day of the applicable interest period.

Financial covenants in the Credit Agreement require us to maintain (i) a consolidated total leverage ratio no greater than 2.50 to 1.00, and (ii) a consolidated interest coverage ratio no less than 3.50 to 1.00.

During the Year To Date Period, we made net principal payments of $6.3 million under the Term Loan and term loan under the Prior Agreement. Additionally, we had net borrowings of $69.7 million under the Revolving Credit Facility and revolving credit loans under the Prior Agreement at an average annual interest rate of 1.43%. As of July 4, 2015, we had $225.0 million and $458.7 million outstanding under the Term Loan and the Revolving Credit Facility, respectively. In addition, we had $0.9 million of outstanding standby letters of credit at July 4, 2015. Amounts available under the Revolving Credit Facility are reduced by any amounts outstanding under standby letters of credit. As of July 4, 2015, we had $590.4 million available for borrowing under the Revolving Credit Facility, which was favorably impacted by a $400.0 million international cash balance. Borrowings under the Revolving Credit Facility were mainly used to fund common stock repurchases, capital expenditures and normal operating expenses.

At July 4, 2015, we were in compliance with all debt covenants related to all of our credit facilities.

For fiscal year 2015, we expect total capital expenditures to be approximately $100 million to $110 million. These capital expenditures will be primarily related to global retail store expansion and renovation and investment in technological infrastructure. We believe that cash flows from operations combined with existing cash on hand and amounts available under the Revolving Credit Facility will be sufficient to fund our working capital needs, common stock repurchases and planned capital expenditures for the next twelve months.

Contractual Obligations

As of July 4, 2015, there were no material changes to our contractual obligations set forth in our Annual Report on Form 10-K for the fiscal year ended January 3, 2015.

Off Balance Sheet Arrangements

As of July 4, 2015, there were no material changes to our off balance sheet arrangements as set forth in commitments and contingencies in our Annual Report on Form 10-K for the fiscal year ended January 3, 2015.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the periods reported. On an on-going basis, we evaluate our estimates and judgments, including those related to product returns, bad debt, inventories, long-lived asset impairment, impairment of goodwill and trade names, income taxes, warranty costs, hedge accounting, litigation reserves and stock-based compensation. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances. Our estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There have been no changes to the critical accounting policies disclosed in Part II, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended January 3, 2015.

Forward-Looking Statements

The statements contained and incorporated by reference in this Quarterly Report on Form 10-Q that are not historical facts, including, but not limited to, statements regarding our expected financial position, results of operations, business and financing plans found in this Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 3. Quantitative and Qualitative Disclosures About Market Risk, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and involve a number of risks and uncertainties. The words may, believes, expects, plans, intends, estimates, anticipates and similar expres identify forward-looking statements. The actual results of the future events described in such forward-looking statements could differ materially from those stated in such forward-looking statements. Among the factors that could cause actual results to differ materially are: the effect of worldwide economic conditions; significant changes in consumer spending patterns or preferences; interruptions or delays in the supply of key components; acts of war or acts of terrorism; changes in foreign currency valuations in relation to the U.S. dollar; lower levels of consumer spending resulting from a general economic downturn or generally reduced shopping activity caused by public safety or consumer confidence concerns; the performance of our products within the prevailing retail environment; customer acceptance of both new designs and newly-introduced product lines; financial difficulties encountered by customers; the effects of vigorous competition in the markets in which we operate; the integration of the organizations and operations of any acquired businesses into our existing organization and operations; the termination or non-renewal of material licenses, foreign operations and manufacturing; changes in the costs of materials, labor and advertising; government regulation; our ability to secure and protect trademarks and other intellectual property rights; and the outcome of current and possible future litigation.

In addition to the factors listed above, our actual results may differ materially due to the other risks and uncertainties discussed in this Quarterly Report on Form 10-Q and the risks and uncertainties set forth in our Annual Report on Form 10-K for the fiscal year ended January 3, 2015. Accordingly, readers of this Quarterly Report on Form 10-Q should consider these facts in evaluating the information and are cautioned not to place undue reliance on the forward-looking statements contained herein. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Rate Risk

As a multinational enterprise, we are exposed to changes in foreign currency exchange rates. Our most significant foreign currency risk relates to the euro, and to a lesser extent, the British pound, Canadian dollar, Japanese yen, Mexican peso and Australian dollar as compared to the U.S. dollar. Due to our vertical nature whereby a significant portion of goods are sourced from our owned facilities, the foreign currency risks relate primarily to the necessary current settlement of intercompany inventory transactions. We employ a variety of operating practices to manage these market risks relative to foreign currency exchange rate changes and, where deemed appropriate, utilize foreign exchange forward contracts. These operating practices include, among others, our ability to convert foreign currency into U.S. dollars at spot rates and to maintain U.S. dollar pricing relative to sales of our products to certain distributors located outside the U.S. The use of foreign exchange forward contracts allows us to offset exposure to rate fluctuations because the gains or losses incurred on the derivative instruments will offset, in whole or in part, losses or gains on the underlying foreign currency exposure. We use derivative instruments only for risk management purposes and do not use them for speculation or for trading. There were no significant changes in how we managed foreign currency transactional exposure in the Second Quarter, and management does not anticipate any significant changes in such exposures or in the strategies we employ to manage such exposure in the near future.

The following table shows our outstanding forward contracts designated as cash flow hedges at July 4, 2015 and their expiration dates (in millions):

Functional Currency		Contract Currency		
Type	Amount	Type	Amount	Expiration Date
Euro	209.3	U.S. dollar	250.2	May 2017
British pound	41.9	U.S. dollar	65.9	June 2017
Canadian dollar	51.5	U.S. dollar	42.9	June 2017
Japanese yen	3,788.1	U.S. dollar	32.7	June 2017
Mexican peso	306.6	U.S. dollar	19.9	March 2016
Australian dollar	19.0	U.S. dollar	14.7	March 2016

If we were to settle our euro, British pound, Canadian dollar, Japanese yen, Mexican peso and Australian dollar based forward contracts as of July 4, 2015, the net result would have been a net gain of approximately $14.6 million, net of taxes. As of July 4, 2015, a 10% unfavorable change in the U.S. dollar strengthening against foreign currencies to which we have balance sheet transactional exposures, would have decreased net pre-tax income by $13.3 million. The translation of the balance sheets of our foreign-based operations from their local currencies into U.S. dollars is also sensitive to changes in foreign currency exchange rates. As of July 4, 2015, a 10% unfavorable change in the exchange rate of the U.S. dollar strengthening against the foreign currencies to which we have exposure would have reduced consolidated stockholders equity by approximately $89.4 million. In our view, these hypothetical changes resulting from these assumed changes in foreign currency exchange rates are not material to our consolidated financial position, results of operations or cash flows.

Interest Rate Risk

We are subject to interest rate volatility with regard to existing and future debt borrowings. Effective July 26, 2013, we entered into an interest rate swap agreement with a term of approximately five years to manage our exposure to interest rate fluctuations on our Term Loan. We will continue to evaluate our interest rate exposure and the use of interest rate swaps in future periods to mitigate our risk associated with adverse fluctuations in interest rates.

Based on our variable-rate debt outstanding as of July 4, 2015, excluding our $225.0 million Term Loan debt hedged with an interest rate swap agreement, a 100 basis point increase in interest rates would increase annual interest expense by approximately $4.7 million.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation of the effectiveness of our disclosure controls and procedures (Disclosure Controls), as defined by Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. The Disclosure Controls evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO). There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon this evaluation, our CEO and CFO have concluded that our Disclosure Controls were effective as of July 4, 2015.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the Second Quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

There are no legal proceedings to which we are a party or to which our properties are subject, other than routine litigation incidental to our business, which is not material to our consolidated financial condition, results of operations or cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table shows our common stock repurchases based on settlement date for the Fiscal Quarter:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased (1)		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publically Announced Programs		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs (2)
April 5, 2015 - May 2, 2015	776,653	$	83.40	776,330	$	879,503,408
May 3, 2015 - May 30, 2015	339,594	$	82.25	339,594	$	851,570,692
May 31, 2015 - July 4, 2015	136,782	$	71.88	136,782	$	841,738,631
Total	1,253,029			1,252,706		

(1) During the Second Quarter, 323 shares of common stock were acquired from grantees in connection with income tax withholding obligations arising from vesting of restricted stock grants. These shares were not part of our publicly announced program to repurchase shares of common stock.

(2) On August 10, 2010, we announced a common stock repurchase program pursuant to which up to $30 million could be used to repurchase outstanding shares of our common stock. The $30 million repurchase program has no termination date. In December 2012, we announced a common stock repurchase program pursuant to which up to $1.0 billion could be used to repurchase outstanding shares of our common stock. The $1.0 billion repurchase program was completed during the first quarter of fiscal year 2015. In November 2014, we announced an additional common stock repurchase program pursuant to which up an additional $1.0 billion could be used to repurchase outstanding shares of our common stock. The second $1.0 billion repurchase program has a termination date of December 2018. During the Second Quarter, approximately 1.3 million shares of our common stock were repurchased pursuant to the second $1.0 billion repurchase plan at a cost of $102.5 million. As of July 4, 2015, we had $841.7 million of repurchase authorizations remaining under our combined repurchase programs.

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Explanation of Responses:

Item 6. Exhibits

(a) Exhibits

Exhibit Number	Document Description
3.1	Third Amended and Restated Certificate of Incorporation of Fossil, Inc. (incorporated by reference to Exhibit 3.1 of the Company s Current Report on Form 8-K filed on May 25, 2010).
3.2	Certificate of Amendment of the Third Amended and Restated Certificate of Incorporation of Fossil, Inc. (incorporated by reference to Exhibit 3.1 to the Company s Current Report on Form 8-K filed on May 28, 2013).
3.3	Fourth Amended and Restated Bylaws of Fossil Group, Inc. (incorporated by reference to Exhibit 3.2 of the Company s Current Report on Form 8-K filed on May 28, 2013).
3.4	Amendment No. 1 to Fourth Amended and Restated Bylaws of Fossil Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company s Current Report on Form 8-K filed on March 20, 2014).
31.1(1)	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2(1)	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1(2)	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2(2)	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS(1)	XBRL Instance Document.
101.SCH(1)	XBRL Taxonomy Extension Schema Document.
101.DEF(1)	XBRL Taxonomy Extension Definition Linkbase Document.
101.CAL(1)	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB(1)	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE(1)	XBRL Taxonomy Extension Presentation Linkbase Document.

(1) Filed herewith.

(2) Furnished herewith.

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 GROUP, INC.

August 13, 2015

/S/ DENNIS R. SECOR
Dennis R. Secor
Executive Vice President, Chief Financial Officer and Treasurer
(Principal financial and accounting officer duly authorized to sign on behalf of the Registrant)

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