

FOSSIL GROUP

ANNUAL REPORT 2015



FOSSIL
GROUP

LETTER TO STOCKHOLDERS

Dear Stockholders,

Fossil Group's 2015 proved to be a year of both significant challenges and accomplishments. While various headwinds impacted our business and resulted in disappointing operating results, we remained focused on our strategic priorities to strengthen our leadership position in our core business and to extend that leadership further through our investments in wearable technology.

We repositioned the company with the necessary platform to accelerate sales and profitability in the future and made significant progress against our goals. Our team's dedication, resiliency and ability to remain nimble in a quickly changing environment, combined with the strategic actions taken over the past year, have positioned us to improve our performance in the future. During the year, we restructured our operations and teams to compete in a rapidly evolving retail environment and we look forward to building on those actions in 2016.

Disruption in the marketplace brings opportunities to take advantage of growth and changing trends. While we have a successful track record of delivering strong revenue and earnings growth, our performance in 2015 was below our expectations and more importantly, below where we see the potential of our company. To reach that potential, we have refocused our efforts on design and innovation and, given the progress made on our strategic priorities, believe we have positioned the company for strong growth.

STRATEGIC PRIORITIES

Investing In Fossil And Skagen

Throughout our history, we have successfully leveraged our strategic and competitive advantages to become the licensee of choice in the traditional watch space. While we will continue to play that role, we believe the long-term value for Fossil Group is to be a strong lifestyle brand builder and leverage that strength to grow our licensed brands. In 2015, we invested in brand building and demand creation activities for our owned brands and on a comparable basis to 2014, drove 4% growth in Fossil and 15% growth in Skagen.

Advancing CRM Initiatives

In an effort to better understand our customer and their shopping patterns and preferences, we completed development of a global customer database to run targeted CRM campaigns with a focus on understanding the digital and social activity of our customers. We believe creating a deeper connection with our customers and providing an opportunity for continued dialogue facilitates repeat customer visits and drives additional sales. The insights gained through this process will enable us to create new social activation programs and in-store events aimed at driving traffic to our websites and our stores. We will continue to invest in these initiatives based on the initial success we have seen and believe these efforts will prove crucial as consumer shopping patterns continue to evolve.

Investing In Digital Capabilities

We are focused on investing in our digital capabilities to improve the online experience for the customer and increase our omni-channel capabilities. In 2015, we re-launched the Fossil website and expect it to be a key component in advancing our omni-channel capabilities, providing us the opportunity to further develop the customer's relationship with the brand. With the updated website, we have given our customers an improved shopping experience, added compelling brand content and stories, and carried these capabilities across an upgraded mobile platform. All of this functionality is supported by a world-class content management system, which enables us to update our branded experiences more efficiently and scale globally, as we grow our international e-commerce business.

Our investments and efforts in this area have so far proved successful, driving double digit growth across our e-commerce channel in 2015.

Extending Category Leadership

We continue to work toward extending our leadership position in the traditional watch market by enhancing our portfolio of lifestyle brands. This past year proved to be a challenging year for the traditional watch category with technology and new functionality taking mind-share and impacting customer purchases. However, we continue to see growth in the category for the coming years, and we believe our portfolio of highly desirable lifestyle brands will enable us to continue to take share in the space. In 2015, we added two new brands to our portfolio: kate spade new york and Chaps. These new brands complement the existing brands in the portfolio and represent new opportunities across price points and distribution channels. In addition, our teams have been designing and producing new styles to take advantage of our global distribution network in 2016.

Innovation and design are key elements to driving growth, and our team is focused on elevating our platform of brands with new designs, materials and functionality. We will capitalize on what is trending in our space in an effort to accelerate growth in the traditional watch category.

Connected Accessories And Wearable Technology

We are very focused on building our presence in the connected accessories space. With consumer interest driving

the trend and our retail partners seeking to add more technology-infused product to their assortments, we are putting resources behind this initiative in a very meaningful way. We spent 2015 designing, developing, producing and launching the Fossil Q assortment, bringing fashion to technology and filling a void within the wearable technology space. We believe technology has the ability to be the next catalyst in the accessories space, and we are positioning ourselves to take advantage of this very exciting trend. In addition to launching the Fossil Q product line, we made a significant investment in wearable technology with the acquisition of Misfit, Inc. By leveraging their scalable cloud and app platform and talented engineering team, we will develop cutting-edge technology-infused products and provide a unique branded experience for our portfolio of brands.

We find ourselves at the epicenter of the convergence of fashion and technology. Our branding and design capabilities combined with our production and global distribution network have enabled us to become a category leader in traditional watches. Now, combined with our efforts this past year in launching Fossil Q and acquiring Misfit, we have differentiated ourselves from our peers and further enhanced our competitive advantages.

The strategic acquisition of Misfit accelerates our ability to become a force in the wearable technology space and enables a consistent flow of new products with technology, innovation and increased functionality. Misfit also expands our addressable market for 2016. It gives us new doors of distribution and the opportunity to leverage our existing global distribution to broaden the Misfit brand. We have the unique ability to combine the technology that consumers are demanding with the design, style and brands that they've always loved—and all at the global scale necessary to drive the right economics. We believe we are uniquely positioned to lead the convergence of style and technology and become the fashion gateway to wearable technology and the connected device markets.

In the end, we look at 2015 as a year of delivering against our strategic priorities we laid out at the beginning of the year and will continue to focus on these in 2016.

Despite the many headwinds and challenges we faced, including macro uncertainty and

weakening currencies globally, we delivered sales of roughly \$3.2 billion and EPS of \$4.51. Additionally, we returned value to our shareholders—repurchasing \$229 million of stock or just under three million shares.

In this rapidly changing world, we are very excited about the opportunities for Fossil Group. We remain very optimistic about the future, confident in our long-term strategies and look forward to building on the progress we made this past year against our strategic priorities. As 2015 resulted in our first EPS decline in a decade, we recognize this past year was a difficult year for our shareholders, but we appreciate your support and the long-term horizon with which you invest.

We believe 2016 will be a transformative year in further advancing our wearables initiative, unlocking the potential of Misfit and applying increased functionality and a robust platform across our portfolio of brands.

We also believe that our many growth opportunities, combined with our diversified business model, solid financial position and cash flow generation, set us up to win over the long-term and drive value for our shareholders.

We look forward to building on our initiatives in 2016 and would like to thank our shareholders and partners for their long-term support and our associates across the globe for their hard work.

Sincerely,



Kosta N. Kartsotis
Chairman and Chief Executive Officer

FINANCIAL HIGHLIGHTS

| FISCAL YEAR (in thousands, except per share data) | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|-------------|-------------|-------------|-------------|-------------|
| Net sales (\$) | 3,228,836 | 3,509,691 | 3,259,971 | 2,857,508 | 2,567,302 |
| Gross profit (\$) | 1,753,467 | 2,001,172 | 1,861,686 | 1,606,543 | 1,439,186 |
| Operating income (\$) | 291,234 | 566,536 | 561,596 | 488,840 | 471,991 |
| Net income attributable to Fossil Group, Inc. (\$) | 220,637 | 376,707 | 378,152 | 343,401 | 294,702 |
| Earnings per share: | | | | | |
| Basic (\$) | 4.52 | 7.12 | 6.59 | 5.63 | 4.66 |
| Diluted (\$) | 4.51 | 7.10 | 6.56 | 5.59 | 4.61 |
| Weighted average common shares and common equivalent shares outstanding: | | | | | |
| Basic | 48,800 | 52,882 | 57,401 | 60,959 | 63,298 |
| Diluted | 48,924 | 53,080 | 57,676 | 61,400 | 63,965 |
| Working capital | 953,141 | 1,008,264 | 939,573 | 702,776 | 797,932 |
| Total assets (\$) | 2,355,661 | 2,177,460 | 2,186,251 | 1,820,304 | 1,609,066 |
| Total long-term liabilities (\$) | 933,589 | 747,351 | 618,978 | 173,062 | 100,942 |
| Stockholders' equity attributable to Fossil Group, Inc. (\$) | 921,388 | 977,860 | 1,068,677 | 1,233,535 | 1,105,929 |
| Return on average stockholders' equity attributable to Fossil Group, Inc. ¹ | 24.7% | 37.5% | 33.1% | 29.9% | 28.0% |

| 1 | Calculated by dividing net income attributable to Fossil Group, Inc. by five quarter average stockholders' equity attributable to Fossil Group, Inc.

CORPORATE INFORMATION

EXECUTIVE OFFICERS & DIRECTORS

Kosta N. Kartsotis

Chairman of the Board
and Chief Executive Officer

Randy C. Belcher

Executive Vice President, Asia Pacific

Hans-Peter Gehmacher

Executive Vice President, EMEA

Darren E. Hart

Executive Vice President, HR

Greg A. McKelvey

Executive Vice President,
Chief Strategy
and Digital Officer

Dennis R. Secor

Executive Vice President,
Chief Financial Officer
and Treasurer

John A. White

Executive Vice President
and Chief Operating Officer

Elaine B. Agather

Director

Jeffrey N. Boyer

Director

William B. Chiasson

Director

Mauria A. Finley

Director

Diane L. Neal

Director

Thomas M. Nealon

Director

Mark D. Quick

Director

Elysia Holt Ragusa

Director

Jal S. Shroff

Director

James E. Skinner

Director

James M. Zimmerman

Director

OUR WEBSITE

The company maintains a website at www.fossilgroup.com.
Certain event and investor relations information concerning the
company are available at the site.

ANNUAL MEETING

The Annual Meeting of Stockholders will be held on
Wednesday, May 25, 2016, at 9:00a.m. CDT at the company's
headquarters, 901 S. Central Expressway, Richardson, Texas 75080.

COMPANY INFORMATION

A copy of the company's Annual Report on Form 10-K, as filed with
the Securities and Exchange Commission, and the Annual Report to
Stockholders, in addition to other company information,
is available to stockholders without charge upon written request
to Fossil Group, Investor Relations, 901 S. Central Expressway,
Richardson, Texas 75080-7302, or online at www.fossilgroup.com.

CORPORATE INFORMATION

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Corporate Counsel

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