

ANNUAL REPORT

FOSSIL
GROUP

TWO THOUSAND AND THIRTEEN



LETTER TO STOCKHOLDERS

DEAR STOCKHOLDERS,

Fossil Group's 2013 represented another excellent year of growth and one with many noteworthy accomplishments towards achieving our long-term goals. We achieved record results, delivering a 14% increase in net sales to \$3.26 billion and a 17% increase in earnings per share to \$6.56.

Through focused execution of our core growth strategies for the FOSSIL® and SKAGEN® lifestyle brands and our multi-brand watch portfolio, we increased our share in the growing watch industry by leveraging our competitive strengths in branding, design, manufacturing, sourcing and distribution.

We enhanced our operational capabilities and capitalized on our powerful portfolio of global brands to expand our geographic reach and we leveraged the strength of our balance sheet and solid financial position to further enhance returns to our shareholders.

FOSSIL

Our FOSSIL brand experienced growth across all of our regions, fueled by strong innovation that drove market share gains and the expansion of our global footprint. During the year, we focused on delivering exciting product while implementing marketing activities to enhance our connection with consumers. We were particularly pleased with the brand's double-digit sales growth for the year in Asia where we have been investing in building brand awareness and increasing distribution. Watches, our largest category, saw business increase in all of our regions. We continued to post solid growth in jewelry, a category that is becoming increasingly branded and a trend that has propelled our watch growth for many years. Our goal is to continue our positive momentum in 2014 as we evolve our watch and jewelry designs, improve our leathers assortment and focus on increasing global awareness of our FOSSIL brand.

Realizing the full potential of this vintage American lifestyle brand is a key element of our long-term growth strategy. Our goal is to continue to grow the brand in the Americas, where we already enjoy significant share, and to deliver outsized growth internationally as the brand gains share in growing markets.

SKAGEN

Growing SKAGEN into a multi-category lifestyle brand is another important element of

our long-term growth strategy, and we made significant progress in 2013. We delivered a solid topline increase and look to continue this trend into 2014 as we fully influence the brand with our design processes and instill a strong point of view on a Danish inspired lifestyle brand.

We launched a new store format in select stores with very positive results. We are evaluating select flagship store locations in strategic markets in addition to exploring ways to improve the digital experience for consumers.

We continue to believe SKAGEN has a bright future with significant growth potential.

We have aligned some of our best resources around the multi-category vision for this brand and expect to continue the brand's momentum as we leverage the Fossil Group infrastructure, provide a unique brand experience for consumers and deliver great Danish-inspired product.

PORTFOLIO

In our multi-brand watch portfolio, we continued to gain share and delivered a 17% increase in sales for the year. The growth was balanced and included double-digit increases in all regions and with the majority of our brands posting gains.

As the world becomes increasingly globally branded, our watch portfolio, which includes some of the most iconic lifestyle brands in the world, continues to be a powerful asset in gaining share in the growing global watch market. As an innovative category leader with a world-class supply chain and a global distribution network of more than 30,000 doors, we are uniquely positioned to work with the best lifestyle brands around the world.

In 2014, we look forward to launching Emporio Armani Swiss Made in the spring and Tory Burch in the fall.

We have the advantage of positioning brands across a broad spectrum of market segments to maximize our share of the global watch

industry. Our goal is to employ all of our strategic advantages to realize the full potential of all of our brands.

INTERNATIONAL MARKETS

In 2013, we made significant progress in developing our worldwide operating platform and building our business across all of our regions. Europe posted outstanding results and achieved a huge milestone of \$1 billion in sales for the year. Our growth was broadly based, as we grew both watches and jewelry for the year. We expanded our business in most countries in Europe and we continue to be pleased with the trends we are seeing in our retail stores.

In Asia, we also reached an important milestone, achieving half a billion in sales for the year. Our priority in Asia is China, where we increased sales this year by more than 50%. Our focus now is on continuing to develop distribution and creating awareness for our brands in this very important market.

ORGANIZATIONAL STRUCTURE

In 2013, we made significant progress in developing both the management team and the operating platform that we will need to drive our growth and profitability in the future. We have assembled what we believe is one of the best management teams in the industry, with seasoned talent and key additions from some of the best companies in the world.

We have redefined the way we operate and established a clear regional structure, where brand direction is managed carefully from the center, with regional teams responsible for local execution.

In 2013, we invested in technology, both in our supply chain and in our support structures, to gain operational efficiencies and quick insight into our performance. We are also investing in enhanced web and marketing capabilities so we can better understand who our consumers are, how

to communicate with them and to better identify our opportunities.

Our goal as a company is to build a world-class entity of excellence, where creativity and entrepreneurship are carefully balanced with operational discipline so we can deliver solid returns for our shareholders in the near and long-term.

SHARE REPURCHASE

As a company, we are focused on using all of our resources to drive shareholder value. Growth and efficiency are key components of that and we are very focused on those drivers. We are also committed to leveraging our strong financial position. Last year, we invested \$575 million to repurchase \$5.3 million shares of common stock. We know this is an important program for our shareholders and we are fully committed to it, as we now operate with a share base that is almost 20% lower than it was just three years ago.

As we reflect on 2013, we are very pleased with the performance of the company and are excited about the possibilities in the future. We are well positioned as a leader in a growing industry with a strong global footprint and significant competitive advantages. Our diversification gives us access to multiple sources of growth and supports our goal of predictable earnings and cash flows. Our operating model gives us opportunities for leverage and efficiencies to drive greater profitability and our strong financial position gives us access to the fuel that we need to drive our business and deliver returns for shareholders.

We look forward to a successful 2014 and thank you for your support.

Sincerely,



KOSTA N. KARTSOTIS
Chief Executive Officer

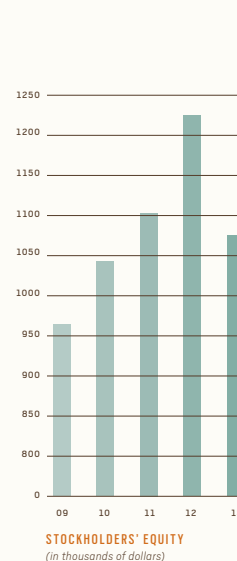
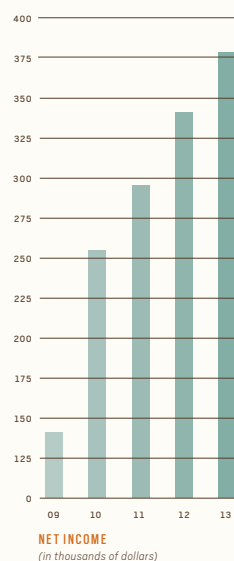
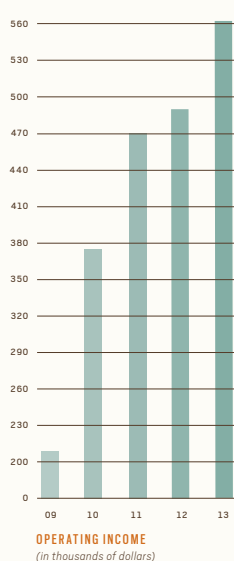
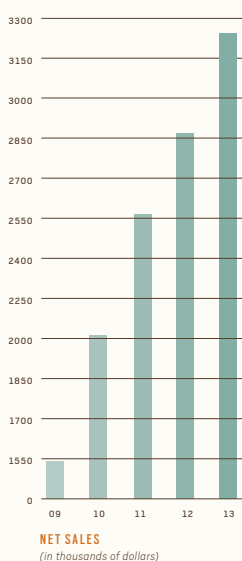


FINANCIAL HIGHLIGHTS

FISCAL YEAR <i>(in thousands, except per share data)</i>	2013	2012	2011	2010	2009
Net sales	\$3,259,971	\$2,857,508	\$2,567,302	\$2,030,690	\$1,548,093
Gross profit	1,861,686	1,606,543	1,439,186	1,155,164	844,850
Operating income	561,596	488,840	471,991	376,414	211,627
Income before taxes attributable to Fossil Group, Inc.	549,468	478,726	438,860	372,448	213,776
Net income attributable to Fossil Group, Inc.	378,152	343,401 ¹	294,702	255,205	139,188
<i>Earnings per share:</i>					
Basic	6.59	5.63 ¹	4.66	3.83	2.09
Diluted	6.56	5.59 ¹	4.61	3.77	2.07
<i>Weighted average common shares and common equivalent shares outstanding:</i>					
Basic	57,401	60,959	63,298	66,701	66,684
Diluted	57,676	61,400	63,965	67,687	67,153
Working capital	\$987,556	\$737,334	\$844,124	\$801,329	\$701,193
Total assets	2,230,414	1,841,989	1,642,922	1,467,573	1,276,483
Total long-term liabilities	663,141	194,747	134,798	76,377	62,791
Stockholders' equity attributable to Fossil Group, Inc.	1,068,677	1,233,535	1,105,929	1,044,118	962,781
Return on average stockholders' equity attributable to Fossil Group, Inc.	33.1% ²	29.9% ²	28.0% ²	25.0% ²	16.2% ²

¹ Includes a \$10.8 million benefit in income tax expense in connection with the completion of income tax audits.

² 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*

DARREN E. HART
Executive Vice President, HR

THOMAS M. KENNEDY
*Executive Vice President,
Fossil Brand*

JENNIFER PRITCHARD
*President,
Skagen Brand*

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

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

CORPORATE INFORMATION

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College Station, Texas 77842-3170

PRINCIPAL INDEPENDENT AUDITORS
Deloitte & Touche LLP
2200 Ross Avenue
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CORPORATE COUNSEL
Akin Gump Strauss Hauer & Feld LLP
1700 Pacific Avenue | Suite 4100
Dallas, Texas 75201

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 21, 2014, at 9:00am CST 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.



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