

FOSSIL
GROUP



Dear Stockholders,

During 2019, our teams worked diligently to execute against our strategic and operational priorities, while facing considerable industry headwinds. Most notably, ongoing contraction in the wholesale channel is driving transformation across the industry and within our business model. We are addressing these challenges by seeking opportunities to maximize sales growth in other channels, while also pivoting our financial model to generate profitability over the long-term. Despite the challenges of 2019, Fossil Group had a number of important successes:

- We completed our first New World Fossil program, NWF 1.0, which over the last three years, delivered \$200 million of run-rate improvement across gross margin and operating expense. We also launched our New World Fossil 2.0 – Transform to Grow program, which is designed to drive operational efficiency and improve profitability, while also providing us with the ability to invest in new growth opportunities. In 2019, we captured total benefits of \$50 million, primarily through operating expense reductions, which puts us on track to achieve gross margin benefits and operating expense reductions totaling \$200 million by 2021.
- From a product perspective, we delivered world-class technology upgrades in connected watches and exciting new innovations across our traditional watch categories. Positive response to our latest generation smartwatches tells us that high performance technology combined with the latest fashion designs will drive consumer interest and purchases. In addition, our accelerated product drop strategy, combined with a digital first marketing approach drove more consumer engagement than ever before.
- We also made significant strides in the Asia Pacific region as we broadened our reach in key markets and delivered double digit growth. Importantly, we advanced our Direct to Consumer and online marketplace businesses by optimizing our segmented assortment strategy in key markets.
- We ended the year in solid financial condition with \$200 million of cash and virtually no net debt.

In 2020, we are focusing on four key priorities that are expected to improve our operational efficiency and position us for improved financial performance over the long-term.

Priority number one is delivering exceptional storytelling and innovation. We believe the path forward to changing our sales trajectory will come first and foremost from great product and unmatched creativity. Although we'll have fewer product stories in the market in 2020, we're going to tell them in bolder ways through focused digital marketing programs. We'll be refining our assortment levels and distribution strategy in connected watches to more closely reflect consumer preferences across channel and assortment. Additionally, we plan to launch connected LTE product and aggressively expand in the consumer electronics and telecom channels, while reducing our connected presence in select wholesale accounts and brands.

Our second priority is driving commercial transformation. The consumer is increasingly gravitating to all things digital, and we're moving quickly to improve our digital capabilities across the company. The implementation of our new ecommerce platform is in process now and will bring us a robust set of tools to support a larger direct to consumer business in the coming years.

Our third priority is to expand on our opportunities in China and India, where the emerging middle class has a strong affinity for our categories and brands. We've had great success with our localized marketing and segmented assortment approach, and we see even more runway to accelerate growth in these markets going forward.

Our fourth priority is continuing to implement New World Fossil 2.0. This year, we are focusing on re-engineering our supply chain with the goal of reducing lead times, lowering costs, and enhancing our overall competitiveness.

We appreciate the continued support of our stockholders and remain committed to restoring growth and improving profitability over the long-term. We thank our management team and Fossil Group employees around the world for their hard work and dedication as we strive to transform the business and create value for all of our stakeholders.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. N. Kartsotis', with a stylized, fluid script.

KOSTA N. KARTSOTIS

Chairman and CEO

Financial Highlights

FISCAL YEAR	2019	2018	2017	2016	2015
<i>(in thousands, except per share data)</i>					
Net sales (\$)	2,217,712	2,541,488	2,788,163	3,042,371	3,228,836
Gross profit (\$)	1,099,438	1,340,137	1,358,839	1,578,186	1,753,467
Operating income (loss) (\$)	<28,383>	62,711	<424,276>	127,146	291,234
Net income (loss) attributable to Fossil Group, Inc. (\$)	<52,365>	<3,478>	<478,172>	78,868	220,637
Earnings per share:					
Basic (\$)	<1.04>	<0.07>	<9.87>	1.64	4.52
Diluted (\$)	<1.04>	<0.07>	<9.87>	1.63	4.51
Weighted average common shares and common equivalent shares outstanding:					
Basic (#)	50,230	49,196	48,468	48,136	48,800
Diluted (#)	50,230	49,196	48,468	48,323	48,924
Working capital (\$)	500,278	652,766	781,900	932,705	953,141
Total assets (\$)	1,604,732	1,575,198	1,658,372	2,186,897	2,355,661
Total long-term liabilities (\$)	541,711	380,764	568,337	756,874	933,589
Stockholders' equity attributable to Fossil Group, Inc. (\$)	503,054	585,543	576,133	1,006,236	921,388
Return on average stockholders' equity attributable to Fossil Group, Inc. [1]	<9.8%>	<0.6%>	<62.3%>	8.2%	24.7%

| 1 | Calculated by dividing net income (loss) 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

Jeffrey N. Boyer

Executive Vice President,
Chief Operating Officer
and Chief Financial Officer

Steven A. Evans

Executive Vice President, Owned Brands

Martin R. Frey

Executive Vice President, EMEA

Darren E. Hart

Executive Vice President, Human Resources

Greg A. McKelvey

Executive Vice President,
Chief Commercial Officer

Beth A. Moeri

Executive Vice President,
Portfolio Brands

Mark R. Belgya

Director

William B. Chiasson

Director

Kim Harris Jones

Director

Kevin Mansell

Director

Diane L. Neal

Director

Thomas M. Nealon

Director

James E. Skinner

Director

Gail B. Tifford

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 20, 2020, at 9:00 a.m.** local time 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

Transfer Agent & Registrar

Computershare
P. O. Box 505000
Louisville, KY 40233-5000

Principal Independent Auditors

Deloitte & Touche, LLP
2200 Ross Avenue
Dallas, Texas 75201

Corporate Counsel

Akin Gump Strauss Hauer & Feld, LLP
2300 N. Field Street, Suite 1800
Dallas, Texas 75201

FOSSIL

SKAGEN


MICHELE


MISFIT


**WATCH
STATION**
INTERNATIONAL


Zodiac

A | X
ARMANI EXCHANGE



DIESEL

DKNY

EMPORIO  ARMANI

kate spade
NEW YORK

MICHAEL KORS


PUMA®

RELIC®

TORY  BURCH

