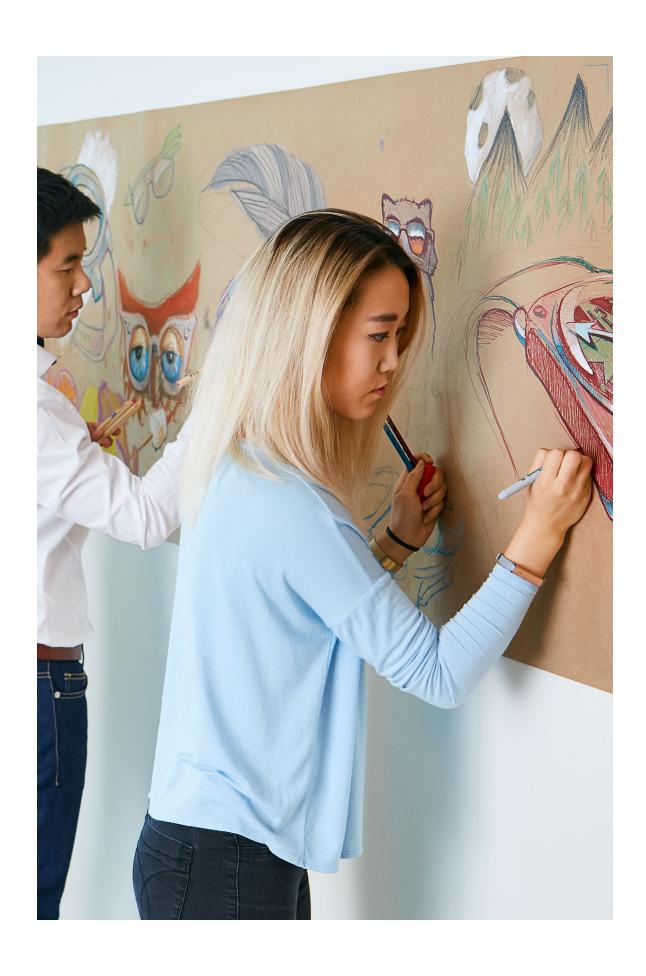
FOSSIL





LETTER TO STOCKHOLDERS

Dear Stockholders,

For Fossil Group, 2016 proved to be a pivotal year with wearable launches across multiple brands demonstrating that innovation and technology can be the catalyst to drive future growth in the watch market and offset the recent headwinds impacting our business. As the retail industry faces unprecedented disruption, our team remains focused on our strategic priorities and advancing the initiatives that we believe will enable us to drive growth and improve our financial performance in the future.

Driving Growth with Wearables

Demonstrating our ability to move quickly and adjust to consumer demands, we acquired Misfit, integrated their team into our organization and leveraged their technology platform across our portfolio of brands to launch over 100 skus of wearables in 8 brands, 40 countries and 20 different languages. Across display smartwatches, hybrid smartwatches and activity trackers, we delivered new functionality to consumers in innovative, stylish, branded products that have been our hallmark. With display watches driving much of the early success in our wearables business, we are on a mission to disrupt the category with our fashion brands. Hybrid smartwatches are also contributing to our early success in wearables, showcasing our proven design and fashion capabilities as well as incorporating technology and unique functionality.

Driving Growth in Fossil and Skagen

In 2016, we drove growth in both Fossil and Skagen, with watches, particularly smartwatches, driving the growth. These brands are succeeding by offering compelling innovation with unique functionality supported by clearly communicated brand stories that we can bring to the customer, wherever they choose to shop.

Developing and Investing in Digital and Omni-channel Capabilities

Today, developing and growing brands means doing so digitally across e-commerce platforms, mobile platforms and social media channels... all things necessary to drive growth in the current retail environment. As consumers continue to shift to online shopping, declining mall traffic is a new reality we are forced to compete against.

Our strength in e-commerce, which grew over 40% in 2016, is supported by our recent investments in improving the shopability of our websites and providing a world-class digital experience for the customer that effectively communicates our brand

and product stories. These investments will continue to serve us well, particularly as wearables become a bigger part of our business given customers are more likely to shop for these products online.

Profitability and Growth

Improving our profitability and growing our core watch business will always be a key focus for us. In 2016, we launched our 'New World Fossil' initiative, a comprehensive, multi-year plan to reinvent all aspects of our business and evolve our business model in every way: the way we work, the way we develop product and the way we bring our products to market. We are on a mission to create a leaner and more nimble company and an operating platform that is quick and responsive to consumer demands. These are the right actions to best position the company for future success and drive long-term growth and shareholder value.

We are always in pursuit of ways to grow our core business. Today, we believe the way to do that is through technology. With the addition of technology to our arsenal of competitive strengths, we are in an even better position to gain share, attract the best new brands, as well as grow our existing brands beyond their current levels.

For 2017, our two biggest priorities are executing against our New World Fossil initiative and building upon the early success of wearables.

This past year, we saw broad-based global acceptance of wearables across all channels. We saw it in our owned retail and across our wholesale channels with the introduction of wearables across our licensed portfolio. Adding technology features and new functionality to our watches opened the door to new distribution in the

consumer electronics channel, a channel not previously available to our fashion brands.

In 2017 we'll double our efforts in wearables by launching over 300 skus and introducing most of our brands to the platform. With more innovations in function and design, more vibrant screens, better software and apps, and slimmer cases, we hope to attract even more customers to the category.

We believe we can turn what was once a headwind for our business into a tailwind that should only continue to get stronger. Adding a technology platform and introducing new functionality to our watches has enabled us to expand our addressable market to include not only traditional fashion watches, but the wearables category as well. We are aggressively competing to take share in a market that is now 30% larger than the single-category market we competed in just two years ago.

Overall, we feel that with our technology capabilities we are even more competitively advantaged today than in the past. Our objective is to disrupt the watch category with technology and compete in the wearables business with style, design, branding and story-telling. Combined with our global distribution, significant scale, and compelling economics, we believe we can bring our success in the traditional watch space to wearables.

New World Fossil

We plan to be relentless in pursuing the full potential of our New World Fossil initiative in 2017 and beyond. We are working to drive efficiencies in everything we do from production to distribution. We'll continue to make adjustments to our store fleet as we push to meet the customer wherever they choose to shop in the future. With the new operating structure in place, we'll have a tremendous opportunity to leverage as we drive growth. Operating with a leaner infrastructure and enhanced business model, we expect to drive \$200 million in improved operating profit over time.

Beyond those two key priorities, we will continue to maximize the power of Fossil and Skagen and, with an emphasis on innovation, work to stabilize and grow our licensed brands. We remain focused on driving growth by increasing our market share and with an enhanced set of competitive advantages, we intend to be aggressive in the marketplace with the potential for adding new licenses.

We continue to be confident in the strategies we are pursuing and their ability to enable us to improve our financial performance and drive long-term shareholder value. Our success with wearables over the last year clearly shows that the pursuit of the category and the expansion of our addressable market are significant long-term opportunities for Fossil Group. As we build a more nimble and responsive operating platform through our New World Fossil initiative, we'll be even better positioned to improve profitability in a very leverageable business model.

Sincerely,

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Kosta N. KartsotisChairman and Chief Executive Officer

FINANCIAL HIGHLIGHTS

FISCAL YEAR (in thousands, except per share data)	2016	2015	2014	2013	2012
Net sales (\$)	3,042,371	3,228,836	3,509,691	3,259,971	2,857,508
Gross profit (\$)	1,578,186	1,753,467	2,001,172	1,861,686	1,606,543
Operating income (\$)	127,146	291,234	566,536	561,596	488,840
Net income attributable to Fossil Group, Inc. (\$)	78,868	220,637	376,707	378,152	343,401
Earnings per share:					
Basic (\$)	1.64	4.52	7.12	6.59	5.63
Diluted (\$)	1.63	4.51	7.10	6.56	5.59
Weighted average common shares and common equivalent shares outstanding:					
Basic	48,136	48,800	52,882	57,401	60,959
Diluted	48,323	48,924	53,080	57,676	61,400
Working capital	932,705	953,141	1,008,264	939,573	702,776
Total assets (\$)	2,186,897	2,355,661	2,177,460	2,186,251	1,820,304
Total long-term liabilities (\$)	756,874	933,589	747,351	618,978	173,062
Stockholders' equity attributable to Fossil Group, Inc. (\$)	1,006,236	921,388	977,860	1,068,677	1,233,535
Return on average stockholders' equity attributable to Fossil Group, Inc. ¹	8.2%	24.7%	37.5%	33.1%	29.9%

^{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

Eric Anderson

Executive Vice President, Portfolio

Randy C. Belcher

Executive Vice President, Asia Pacific

Steve Evans

Executive Vice President, Fossil Brand

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

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 24, 2017, 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

Transfer Agent & Registrar

Computershare
P. O. Box 30170
College Station, Texas 77842-3170

Principal Independent Auditors

Deloitte & Touche LLP 2200 Ross Avenue Dallas, Texas 75201

Corporate Counsel

Akin Gump Strauss Hauer & Feld LLP 1700 Pacific Avenue | Suite 4100 Dallas, Texas 75201







SKAGEN

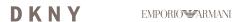


























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