

FOSSIL
GROUP



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GROUP

LETTER TO STOCKHOLDERS

Dear Stockholders,

We entered 2018 with four major objectives. We're proud to report that in spite of the many challenges we faced, we accomplished these objectives and achieved significant success around the globe as follows:

- **We improved profitability.**
- **We spearheaded innovation and design in the watch category.**
- **We invested in digital to expand our e-commerce efforts.**
- **We continued to transform our business model under our New World Fossil initiative.**

Through these efforts and more, we delivered \$2.5 billion in net sales, reduced net debt and generated strong cash flow.

In accordance with our goal to become a leaner, more profitable company, we aggressively responded to the ever-evolving retail environment, exited unprofitable businesses to sharpen our focus and effectively managed expenses and inventory. While we saw improvements in 2018, these efforts will continue to provide benefits in 2019 and beyond. We will continue to build on our success from this past year, while working to further improve our financial performance and create value for you, our investors, in the coming year.

Our Strategy

Armed with strategic insights from 2018, we plan to pursue several priority areas to continue our progress through 2019 and beyond:

Connected

As consumers continued to express their desire for connected devices, we listened. Thanks to our dedication to distinguished designs, improved technology and continuous innovation, we experienced 29 percent growth in the wearables category in 2018. We launched the next generation of smartwatches, with the overall smartwatch category representing 21 percent of our total watch sales in Q4. Additionally, we signed a strategic technology partnership with CITIZEN to help further our growth in the connected space.

By creating products with all the features our customers want and need, we're strongly differentiating ourselves from our competition and positioning Fossil Group for sustained growth.

FOSSIL Brand

We saw a modest increase in FOSSIL's global core watch sales in 2018, as we placed a heavy emphasis on product innovation and expanding our direct-to-consumer business. We worked hard to excite the consumer with new ways to shop, such as Buy Online and Pick Up In Store, and we experienced notable success for handbags in the direct channel. Going forward, we're enhancing FOSSIL's consumer targeting and social content initiatives to further improve engagement while driving sales through search, affiliates and retargeting efforts.

Digital/E-Commerce

The way our customers shop continues to evolve rapidly and so must our ability to serve them better and faster. To achieve this, we must continue to understand our customers' behaviors and what drives their shopping channel preference. In 2018, we increased our marketing spend and invested more in our e-commerce platforms.

These efforts optimized our ability to reach consumers online. This approach also helped us more effectively use the power of social influencers to generate direct sales from posts which include our products. As a result, we achieved 21 percent sales growth in our digital and e-commerce channels in 2018.

Portfolio Brands

Our licensed brands continue to support our company's initiatives, as our wide variety of watch styles — from kate spade new york to Michael Kors to Emporio Armani — offers options for every customer's unique taste and need. We enhanced the footprint of our licensed brands in the wearables space through continued innovation and teamwork with our partners, including launching the first kate spade new york and Tory Burch touchscreen smartwatches. Additionally, new licenses with PUMA and BMW will fuel the growth of our portfolio brands and extend our reach into currently untapped customer segments.

Cash Flow / Capital Structure

As part of our New World Fossil transformation, we improved our profitability and strengthened our capital structure, reducing our net debt by more than \$200 million in 2018. With our focus on profitability, we have exited marginal businesses and closed underperforming store locations, in addition to implementing significant working capital improvements. We did an outstanding job of doing more with less by reducing inventory levels by \$196 million and generating nearly \$250 million in cash from operations.

Sustainability

Over the past year, we strengthened our social and environmental commitments to our people, planet and communities through our Make Time for Good sustainability platform. This year, we plan to announce our sustainability targets, with a goal of reporting on progress as early as 2020. While we know we are only at the beginning of this journey, we look forward to making the biggest impact that only we can make.

Looking Ahead

In the past year, we have seen how disruption in the marketplace creates opportunity. We've also seen the critical importance of emphasizing product innovation and placing the highest priority on strengthening our connection with consumers. Winning in the marketplace means engaging our customers where they are and having the understanding and insight to anticipate where they're going next.

We made significant strides in 2018 to change Fossil Group's profit profile. And, looking ahead, we see tremendous opportunity to accelerate our pace of innovation and creativity. While our competitive environment remains challenging, I have no doubt in our ability to capitalize on these retail dynamics and successfully turn those challenges into new opportunities.

My thanks to our board of directors, our management team and our approximately 11,000 Fossil Group employees around the world for all they have done to position us so strongly for success. And, as always, my thanks to you for your continued support and confidence as we embark on this next step in our company's story.

Sincerely,



Kosta N. Kartsothis

Chairman and Chief Executive Officer

FINANCIAL HIGHLIGHTS

FISCAL YEAR (in thousands, except per share data)	2018	2017	2016	2015	2014
Net sales (\$)	2,541,488	2,788,163	3,042,371	3,228,836	3,509,691
Gross profit (\$)	1,340,137	1,358,839	1,578,186	1,753,467	2,001,172
Operating income (loss) (\$)	62,711	<424,276>	127,146	291,234	566,536
Net income (loss) attributable to Fossil Group, Inc. (\$)	<3,478>	<478,172>	78,868	220,637	376,707
Earnings per share:					
Basic (\$)	<0.07>	<9.87>	1.64	4.52	7.12
Diluted (\$)	<0.07>	<9.87>	1.63	4.51	7.10
Weighted average common shares and common equivalent shares outstanding:					
Basic (#)	49,196	48,468	48,136	48,800	52,882
Diluted (#)	49,196	48,468	48,323	48,924	53,080
Working capital (\$)	652,766	781,900	932,705	953,141	1,008,264
Total assets (\$)	1,575,198	1,658,372	2,186,897	2,355,661	2,177,460
Total long-term liabilities (\$)	380,764	568,337	756,874	933,589	747,351
Stockholders' equity attributable to Fossil Group, Inc. (\$)	585,543	576,133	1,006,236	921,388	977,860
Return on average stockholders' equity attributable to Fossil Group, Inc. ¹	<0.6%>	<62.3%>	8.2%	24.7%	37.5%

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

Greg A. McKelvey

Executive Vice President,
Chief Strategy and Digital Officer

Diane L. Neal

Director

Randy C. Belcher

Executive Vice President, Asia Pacific

Beth A. Moeri

Executive Vice President,
Portfolio Brands

Thomas M. Nealon

Director

Jeffrey N. Boyer

Executive Vice President,
Chief Financial Officer
and Treasurer

Mark R. Belgya

Director

James E. Skinner

Director

Steve A. Evans

Executive Vice President, Owned Brands

William B. Chiasson

Director

Gail B. Tifford

Director

Martin R. Frey

Executive Vice President, EMEA

Mauria A. Finley

Director

James M. Zimmerman

Director

Darren E. Hart

Executive Vice President, HR

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 22, 2019, 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 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



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