

FOSSIL
GROUP



Dear Stockholders,

As we reflect on 2020 and the many challenges it brought, we are reminded of enduring spirit. We saw this in our associates across the Fossil organization, we saw this in first responders and essential workers on the front lines, and we saw this in our local communities as people around the world came together to navigate a global pandemic.

We are proud of our teams and grateful to them for working through the near-term operational challenges presented by the COVID-19 pandemic, while also remaining focused on our long-term strategic priorities. Although the pandemic disrupted our business in 2020, it also provided an opportunity for us to lean into our digital capabilities and allowed us to accelerate our path to becoming a digitally-led organization.

When the COVID-19 pandemic emerged and government-mandated lockdowns took effect, we acted quickly to protect our employees, partners and communities globally, mitigate business disruption and strengthen our financial position. We also pivoted to service significantly higher demand levels on our e-commerce websites. We did this by leveraging the digital capabilities we have been building for the past two years, implementing a new global salesforce.com e-commerce platform and investing in new digital tools and resources. As a result, in 2020, global sales generated by our digital channels doubled to 40% from 20% in 2019.

In 2020, we also made notable progress within our New World Fossil 2.0 program, which includes streamlining the organization and generating greater efficiency in our processes and work streams. We expanded the size of the program by \$50 million to a total of \$250 million in efficiencies over a three-year period from 2019 to 2021. During the year, we captured total operating expense savings of \$175 million and we're on track to complete our New World Fossil 2.0 program in 2021.

Against the backdrop of pandemic disruptions that impacted our global sales in 2020, we maintained strong gross margins and exercised careful cost control, generating operating cash flow of \$100 million during the year. In addition, we ended the year in strong financial condition, with total liquidity of approximately \$360 million and reduced debt levels. Importantly, we entered 2021 on solid footing from a strategic and operational perspective, and our teams are executing against a well-defined growth plan.

In 2021, we are focusing on four key priorities that we believe will position the business to return to sustainable sales growth and improve profitability over the long-term.

- Among our top priorities is to further advance and scale our digital capabilities and footprint. We continue to invest in a robust set of tools to support the ongoing acceleration of this business. These enhanced capabilities encompass advanced analytics and digital marketing, supply chain and AI-driven customer engagement.
- Priority number two is continuing to streamline our operations to evolve our infrastructure to become more asset-light and efficient. This includes strengthening our end-to-end supply chain, improving our inventory management processes and optimizing the size of our store portfolio.
- Our third priority is to build upon our growth opportunities in China and India, where we have an established infrastructure and strong consumer engagement with our brands.

Finally, product innovation remains at the core of everything we do. Our creative teams are passionate about the business and we're operating in a substantial total addressable watch market, with stabilization globally in traditional watches and continued growth in the connected segment. In traditional watches, our flagship brands of Fossil, Armani and Michael Kors continue to perform well. In connected watches, we have a strong foundation for growth, which includes our feature-rich Gen 5 platform, the Hybrid HR and our new LTE product that launched in early 2021.

We appreciate the support of our stockholders and feel confident that we have the right talent, infrastructure and strategies in place to drive growth as we evolve into a digital-first organization. We are also profoundly grateful to our management and associates for their dedication and tireless efforts that allowed us to reach this important inflection point in our business where we are positioned to advance our digital transformation efforts, return to global sales growth and deliver value to our shareholders.

Sincerely,



KOSTA N. KARTSOTIS

Chairman and CEO

Financial Highlights

FISCAL YEAR	2020	2019	2018	2017	2016
<i>(in thousands, except per share data)</i>					
Net sales (\$)	1,613,343	2,217,712	2,541,488	2,788,163	3,042,371
Gross profit (\$)	770,356	1,099,438	1,340,137	1,358,839	1,578,186
Operating income (loss) (\$)	<135,319>	<28,383>	62,711	<424,276>	127,146
Net income (loss) attributable to Fossil Group, Inc. (\$)	<96,095>	<52,365>	<3,478>	<478,172>	78,868
Earnings per share:					
Basic (\$)	<1.88>	<1.04>	<0.07>	<9.87>	1.64
Diluted (\$)	<1.88>	<1.04>	<0.07>	<9.87>	1.63
Weighted average common shares and common equivalent shares outstanding:					
Basic (#)	51,116	50,230	49,196	48,468	48,136
Diluted (#)	51,116	50,230	49,196	48,468	48,323
Working capital (\$)	431,949	500,278	652,766	781,900	932,705
Total assets (\$)	1,478,505	1,604,732	1,575,198	1,658,372	2,186,897
Total long-term liabilities (\$)	479,947	541,711	380,764	568,337	756,874
Stockholders' equity attributable to Fossil Group, Inc. (\$)	439,090	503,054	585,543	576,133	1,006,236
Return on average stockholders' equity attributable to Fossil Group, Inc. [1]	22.1%	<9.8%>	<0.6%>	<62.3%>	8.2%

| 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

OFFICE OF THE CHAIRMAN

Kosta N. Kartsotis

Chairman of the Board
and Chief Executive Officer

Jeffrey N. Boyer

Chief Operating Officer

Greg A. McKelvey

Executive Vice President,
Chief Commercial Officer

Steven A. Evans

Chief Brand Officer

Darren E. Hart

Executive Vice President,
Human Resources

Mark R. Belgya

Director

William B. Chiasson

Lead Director

Kim Harris Jones

Director

Kevin Mansell

Director

Diane L. Neal

Director

Marc R. Y. Rey

Director

Gail B. Tifford

Director

Randy C. Belcher

Executive Vice President, Asia Pacific

Sunil M. Doshi

Senior Vice President,
Chief Financial Officer and Treasurer

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 19, 2021, at 9:00 a.m.** local time in a virtual meeting format via webcast.

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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FOSSIL


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