TIMEVISION
REVISION OG SKAT

Fossil Denmark A/S
Midtager 29
2605 Brøndby

CVR-no: 29 39 63 53

ANNUAL REPORT
1. januar - 31. december 2016

Approved at the annual General Meeting of the Company on 29. may 2017

Chairman of the meeting

Today the Board of Directors and the Executive Board have discussed and approved the Annual Report of Fossil Denmark A/S for the period 1. januar - 31. december 2016.

The Annual Report has been prepared in conformity with the Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, equity, liabilities and financial position at 31. december 2016 and of its financial performance for the period 1. januar - 31. december 2016.

In our opinion the Management commentary includes a fair review of the matters described.

We recommend that the Annual Report be approved by the Annual General Meeting.

Brøndby, on 29. may 2017

Management

Adam Eisner

Executive boards af directors

Christian Matt | Adam Eisner | Christian Heinrich Stegemann

To the shareholders in Fossil Denmark A/S
Auditor's report on the financial statements
Conclusion
We have audited the Financial Statements of Fossil Denmark A/S for the period 1. januar - 31. december 2016, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies. The Financial Statements are prepared under the Financial Statements Act.

Basis for conclusion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of financial statements in conformity with the Danish Financial Statements Act. Management is also responsible for the internal control that it deems necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor responsible for auditing the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

• Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management commentary
Management is responsible for Management's Review

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Financial Statements Act.

Except for this matter and based on the procedures performed, it is our opinion that the management commentary is consistent with the financial statements and has been prepared in accordance with the criteria laid down in the Financial Statements Act.

Frederiksberg, on 29. may 2017

TimeVision Frederiksberg
Godkendt Revisionsaktieselskab
CVR-nr.: 31943582

Henning Jensen
Registreret Revisor

The Company	Fossil Denmark A/S Midtager 29 2605 Brøndby	
	Phone:	45 88 34 60
	CVR-no.:	29 39 63 53
Board of directors	Christian Matt Adam Eisner Christian Heinrich Stegemann	
Executive board	Adam Eisner	
Accountant	TimeVision Frederiksberg Godkendt Revisionsaktieselskab Falkoner Allé 1, 6. 2000 Frederiksberg	

Main activities of the Company
The company's main activity is sale of watches and jewellery in Denmark. The given economic conditions and general conditions considered, the company's turnover developed satisfactorily during the year 2016.

Development in the activities and the financial situation of the Company
The Company has continued its operations. No significant one-off events occurred in the financial year that need to be included in the management commentary.

The performance and results for the year are considered satisfactory.

Material events after the reporting date
No events have occurred after the reporting date that may materially affect the financial position of the company.

GENERAL INFORMATION

The financial statements of Fossil Denmark A/S for the financial year 2016 have been prepared in conformity with the provisions of the Financial Statements Act on class B enterprises combined with a few rules on class C enterprises.

The accounting policies applied in the financial statements are consistent with those of the previous year. The reporting currency is Danish kroner.

Recognition and measurement in general
The financial statements have been prepared under the historical cost convention.

Income is recognised in the income statement when earned. Value adjustments of financial assets and liabilities measured at fair value or amortised cost are also recognised in the income statement. Costs incurred to generate the earnings for the year are also recognised in the income statement, including amortisation, depreciation, impairment losses and provisions as well as reversals resulting from changed accounting estimates of amounts previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future financial benefits will flow to the Company and it is possible to obtain a reliable measurement of the individual assets.

Liabilities are recognised in the balance sheet when it is probable that future financial benefits will flow from the Company and it is possible to obtain a reliable measurement of the individual liabilities.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item.

Certain financial assets and liabilities are measured at amortised cost, whereby a constant effective interest rate is recognised over the life of the individual asset or liability. Amortised cost is determined as original cost less any repayments and with the addition/deduction of the accumulated amortisation of the difference between cost and nominal amount.

Anticipated losses and risks arising before the presentation of the financial statements and confirming or disconfirming facts and circumstances known at the reporting date are taken into consideration at recognition and measurement.

The functional currency used is Danish kroner. All other currencies are considered foreign currencies.

Foreign currency translation
Foreign currency transactions are translated at the exchange rates ruling at the transaction dates. Gains and losses arising from movements between the exchange rates at the date of the individual transaction and the date of payment are recognised in the income statement as financial income or financial expenses.

INCOME STATEMENT

Gross profit
Gross profit is a combination of the items of 'Revenue', 'Change in inventories of finished goods, 'Other operating income' and 'Other external costs'.

Revenue
Revenue from the sale of goods for resale and finished goods is recognised in the income statement if the goods have been delivered and the risk has passed to the buyer before year-end. Revenue is recognised exclusive of VAT and net of sales discounts.

Other operating income and expenses
Other operating income and expenses comprise items relating to activities secondary to the activities of the enterprise, including profit and loss from the disposal of property, plant and equipment.

Cost of raw materials and consumables
Cost of raw materials and consumables includes the cost of goods purchased less discounts and changes in inventories for the year.

Other external expenses
Other external expenses include costs for sales, advertising, administration, premises, bad debts, rental expenses under operating leases, etc.

Staff costs
Staff costs include wages, salaries and other pay-related costs, such as sickness benefits for enterprise employees less wage/salary reimbursement from the Government.

Financial income and expenses
Financial income and expenses are recognised in the income statement based on the amounts which relate to the financial year. Financial income and expenses include interest revenue and expenses, realised and unrealised capital gains and losses on securities, accounts payable and transactions in foreign currencies, and surcharges and allowances under the tax prepayment scheme.

Tax on net profit for the year
Tax for the year comprises current tax and changes in deferred tax. The share attributable to the profit or loss for the year is recognised in the income statement, and the share attributable directly to equity is recognised directly in equity.

BALANCE SHEET

Intangible assets
Development projects
Development costs comprise costs, including wages, salaries and amortisation, that are directly or indirectly attributable to the development activities of the enterprise and meet the recognition criteria.

Capitalised development costs are measured at cost on initial recognition and subsequently at the lower of cost less accumulated amortisation and the recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated economic life after completion of the development work. The amortisation period is usually 5 years, but not more than 10 years.

Patents and licences
Patents and licences are measured at cost on initial recognition and subsequently at the lower of cost less accumulated amortisation and the recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the contract period, but not more than 3 years.

Goodwill

Acquired goodwill is measured at cost on initial recognition and subsequently at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its estimated economic life of 5years, as this its the estimated economic life time.

Property, plant and equipment

Property, plant and equipment is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses.

The depreciable amount is calculated taking into consideration the residual value of the asset at the end of its useful life, reduced by impairment losses, if any. The depreciation period and the residual value are determined at the date of acquisition. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

In case of changes in depreciation period or residual value, the effect of a change in depreciation period is recognised prospectively in accounting estimates.

Cost includes the purchase price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self-constructed assets includes costs for materials, components, subcontractors, direct payroll costs and indirect production costs.

The cost of a composite asset is disaggregated into components, which are separately depreciated if the useful lives of the individual components differ.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the individual assets and their residual values:

	User time	Residual value
Properties	30 år	0 %
Tools and equipment ect	3-5 år	0-20 %
Leasehold improvements	3-3 år	0 %

Gains or losses arising from the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amounts at the time of sale. Gains or losses are recognised in the income statement as other operating income or other operating expense.

Property, plant and equipment held under leases and qualifying as finance leases are treated according to the same guidelines as assets owned.

Impairment losses relating to non-current assets

The carrying amounts of intangible assets and property plant and equipment are tested annually to determine whether there is any indication of impairment other than what is expressed by amortisation and depreciation. If so, the assets are tested for impairment to determine whether the recoverable amounts are lower than the carrying amounts and the relevant assets are written down to such lower recoverable amounts. An impairment test is carried out annually of ongoing development projects, whether or not there is any indication of impairment.

The recoverable amount of an asset is determined as the higher of the net sales price and the value in use. Where the recoverable amount of the individual assets cannot be determined, the assets are grouped together into the smallest group of assets that can be estimated to determine an aggregate reliable recoverable amount for those units.

Investments
Deposits
Deposits are measured at cost.

Inventories
Inventories are measured at cost using weighted average prices. Where the net realisable value is lower than cost, the inventories are written down to this lower value.

Inventories are measured at cost according to the FIFO method. Where the net realisable value is lower than cost, the inventories are written down to this lower value.

The net realisable value of inventories is calculated as the selling price less costs of completion and costs incurred to perform sales. The value is determined taking into consideration marketability, obsolescence and development in expected selling price.

Receivables
Receivables are measured at amortised cost, which normally corresponds to the nominal value. The value is reduced by an allowance for expected impairment losses.

Impairment of accounts receivable past due is established on individual assessment of receivables.

Prepayments
Prepayments recognised under assets include costs already defrayed but relating to the subsequent financial year.

Equity
Dividends
Proposed dividends for the year are recognised as a separate item under equity. Proposed dividends are recognised as a liability when approved by the Annual General Meeting.

Provisions
Provisions are liabilities that are uncertain in terms of size and time of settlement. Provisions are generally measured at fair value.

The provisions include warranties on repair of Fossils products sold in Denmark as well as a provision for contractual return of goods and asset retirment obligations.

Corporate income tax and deferred tax
Current tax liabilities and current tax receivable are recognised in the balance sheet as calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured using the balance-sheet liability method on temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases. In cases where the tax base can be determined under alternative taxation rules, such as in relation to shares, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are measured at their anticipated net realisable value, either by elimination in tax on future earnings or by offsetting against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at their net realisable values.

Payables
Financial liabilities are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest method, so that the difference between proceeds and nominal value is recognised in the income statement over the life of the financial instrument(s).

Other payables, comprising trade payables and amounts owed to Group enterprises and associates and other accounts payable, are measured at amortised cost, which normally corresponds to the nominal value.

Deferred income
Where income that relates to subsequent years is received, the income is treated as deferred income.

Note		2016 DKK	2015 DKK
	GROSS PROFIT	**22.594.331**	**26.583.095**
1	Staff costs	-18.654.572	-20.872.006
	Amortisation, depreciation and impairment losses - intangible assets and property, plant and equipment	-2.142.969	-2.104.432
	Other operating costs	-16.821	-239.162
	OPERATING PROFIT OR LOSS	**1.779.969**	**3.367.495**
	Other financial income	8.466	1.875
	Other financial expenses	-497.223	-390.067
	PROFIT OR LOSS BEFORE TAX	**1.291.212**	**2.979.303**
	Tax on net profit for the year	-163.316	-244.355
	PROFIT OR LOSS FOR THE YEAR	**1.127.896**	**2.734.948**
	PROPOSED DISTRIBUTION OF NET PROFIT		
	Proposed dividends for the year	0	3.750.000
	Retained earnings	1.127.896	-1.015.052
	SETTLEMENT OF DISTRIBUTION TOTAL	**1.127.896**	**2.734.948**

ASSETS

	2016 DKK	2015 DKK
Research and development costs	0	0
Concessions, patents, etc.	0	13.558
Goodwill	695.700	1.112.784
Intangible assets	**695.700**	**1.126.342**
Land and buildings	7.681.525	7.985.744
Other plant, fixtures and operating equipment	2.153.116	2.468.041
Leasehold improvements	2.021.547	2.761.300
Property, plant and equipment	**11.856.188**	**13.215.085**
Deposits	1.495.766	1.475.208
Investments	**1.495.766**	**1.475.208**
NON-CURRENT ASSETS	**14.047.654**	**15.816.635**
Finished goods and goods for resale	1.612.198	1.765.998
Inventories	**1.612.198**	**1.765.998**
Trade receivables	409.623	335.024
Receivables from group enterprises	7.047.434	14.624.757
Corporate income tax	83.345	0
Other receivables	178.435	336.513
Deferred tax asset	261.018	319.271
Accruals	353.773	486.167
Receivables	**8.333.628**	**16.101.732**
Cash	10.731.707	6.982.341
CURRENT ASSETS	**20.677.533**	**24.850.071**
ASSETS	**34.725.187**	**40.666.706**

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EQUITY AND LIABILITIES

Note		2016 DKK	2015 DKK
	Contributed capital	610.000	610.000
	Retained earnings	29.051.772	27.928.574
	Proposed dividends for the year	0	3.750.000
2	**EQUITY**	**29.661.772**	**32.288.574**
	Trade creditors	0	74.206
	Amounts owed to group enterprises	778.757	1.006.727
	Corporate income tax	0	541.452
	Other accounts payable	4.284.658	6.755.747
	Short-term payables	**5.063.415**	**8.378.132**
	PAYABLES	**5.063.415**	**8.378.132**
	EQUITY AND LIABILITIES	**34.725.187**	**40.666.706**

3 Contingent liabilities
4 Charges and securities

		2016 DKK	2015 DKK
1	**Staff costs**		
	Number of people employed	34	35
	Wages and salaries	16.640.166	19.333.111
	Pensions	1.437.158	1.538.895
	Other social security costs	577.248	0
		18.654.572	**20.872.006**

		Opening balance	Proposed distribution of net profit	Closing balance
2	**Equity**			
	Contributed capital	610.000	0	610.000
	Retained earnings	27.923.876	1.127.896	29.051.772
	Proposed dividends for the year	3.750.000	-3.750.000	0
		32.283.876	**-2.622.104**	**29.661.772**

Development in contributed capital within the past 5 years	
Balance start 01.01.2011	610.000
	610.000

The share capital is divided as follows:	
610 shares of nom kr. 1.000	610.000
	610.000

	2016	2015
	DKK	DKK

3 **Contingent liabilities**

The company has lease commitments not recognized in the balance sheet at the balance sheet date and are as follows:

The Company has entered into operating leasing contracts with an average lease payment of TDKK 605 per year and a total remaining lease life on between 2 to 24 months.

The company has an annual rent commitments of approx DKK 2.3 million, which can not be terminated before on 31 October 2017 to an end on 30 April 2018.

4 **Charges and securities**

The company has a mortgage deed to Danske Bank on TDKK 2.500.