

*Fossil Denmark A/S
Vimmelskftet 42
1161 København K*

CVR-no: 29 39 63 53

*ANNUAL REPORT
1. januar - 31. december 2017*

Approved at the annual General Meeting of the Company on 3/5 2018

Chairman of the meeting

Antonio Nigro

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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 2017.

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 2017 and of its financial performance for the period 1. januar - 31. december 2017.

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.

København K, København K, May 2nd 2018

Management

Adam Eisner

Executive boards of directors

Antonio Nigro

Christian Matt

Adam Eisner

**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 2017, 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, København K, May 2nd 2018

TimeVision
Godkendt Revisionspartnerselskab
CVR-nr.: 38267132

Henning Jensen
Registreret Revisor
mne623

The Company	Fossil Denmark A/S Vimmelskiftet 42 1161 København K
	Phone: 45 88 34 60 CVR-no.: 29 39 63 53
Board of directors	Antonio Nigro Christian Matt Adam Eisner
Executive board	Adam Eisner
Accountant	TimeVision Godkendt Revisionspartnerselskab Falkoner Allé 1, 6. 2000 Frederiksberg

Main activities of the Company

The company's main activity is sale of watches and jewelry in Denmark. The given economic conditions and general conditions considered, the company's turnover developed satisfactorily during the year 2017.

Development in the activities and the financial situation of the Company

With a total market of traditional watches that seems to have stabilised, the company's strong brands and great concepts will have a good development in the future.

At the same time, the company's offer within wearable's continues to increase. This opens a new channel for distribution, CE - Consumer Electronics. We will continue our long-term strategy to put more wearable offers in the business, both in the traditional and CE distribution.

It is expected that the market and the new distribution mix will have a positive impact on sales development in the Danish market.

Material events after the reporting date

It has been decided that the Scandinavian Headquarter will be located in Gothenburg Sweden. This means that the Fossil office located in Brøndby, Denmark will be closed down in second quarter of 2018.

Fossil Denmark A/S have just received a tax case regarding transfer pricing. The outcome of the case is uncertain, but it is not the company's opinion that SKAT will win the case.

GENERAL INFORMATION

The financial statements of Fossil Denmark A/S for the financial year 2017 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', 'Cost of raw material', '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, motor vehicle, 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 5 years, as this is 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:

	<u>User time</u>	<u>Residual value</u>
Land and buildings	30 år	0 %
Tools and equipment ect	3-5 år	0-20 %
Leasehold improvements	3-5 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.

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.

1. JANUAR - 31. DECEMBER 2017

	2017 DKK	2016 DKK
GROSS PROFIT	14.353.703	22.594.331
1 Staff costs	-15.606.493	-18.654.572
Amortisation, depreciation and impairment losses - intangible assets and property, plant and equipment	-1.845.634	-2.142.969
Other operating costs	0	-16.821
OPERATING PROFIT OR LOSS	-3.098.424	1.779.969
Other financial income	2.386	8.466
Other financial expenses	-659.206	-497.223
PROFIT OR LOSS BEFORE TAX	-3.755.244	1.291.212
Tax on net profit for the year	597.987	-163.316
PROFIT OR LOSS FOR THE YEAR	-3.157.257	1.127.896
PROPOSED DISTRIBUTION OF NET PROFIT		
Retained earnings	-3.157.257	1.127.896
SETTLEMENT OF DISTRIBUTION TOTAL	-3.157.257	1.127.896

ASSETS

	2017 DKK	2016 DKK
Concessions, patents, etc.	0	0
Goodwill	0	695.700
Intangible assets	0	695.700
Land and buildings	0	7.681.525
Other plant, fixtures and operating equipment	1.341.343	2.153.116
Leasehold improvements	2.324.128	2.431.170
Property, plant and equipment	3.665.471	12.265.811
Deposits	793.359	1.495.766
Investments	793.359	1.495.766
NON-CURRENT ASSETS	4.458.830	14.457.277
Assets hold for sale	7.402.658	0
Finished goods and goods for resale	1.229.031	1.612.198
Inventories	8.631.689	1.612.198
Receivables from group enterprises	6.480.427	7.047.434
Corporate income tax	382.000	83.345
Other receivables	90.415	178.435
Deferred tax asset	956.835	261.018
Accruals	84.026	353.773
Receivables	7.993.703	7.924.005
Cash	8.917.469	10.731.707
CURRENT ASSETS	25.542.861	20.267.910
ASSETS	30.001.691	34.725.187

EQUITY AND LIABILITIES

	2017 DKK	2016 DKK
Contributed capital	610.000	610.000
Retained earnings	25.894.739	29.051.772
2 EQUITY	26.504.739	29.661.772
Amounts owed to group enterprises	712.609	778.757
Other accounts payable	2.784.343	4.284.658
Short-term payables	3.496.952	5.063.415
PAYABLES	3.496.952	5.063.415
EQUITY AND LIABILITIES	30.001.691	34.725.187
3 Contractual obligations and contingent items, etc.		
4 Charges and securities		

	2017 DKK	2016 DKK
1 Staff costs		
Number of people employed	23	34
Wages and salaries	13.626.723	16.640.166
Pensions	1.441.240	1.437.158
Other social security costs	538.530	577.248
	<u>15.606.493</u>	<u>18.654.572</u>

	Opening balance	Proposed distribution of net profit	Closing balance
2 Equity			
Contributed capital	610.000	0	610.000
Retained earnings	29.051.996	-3.157.257	25.894.739
	<u>29.661.996</u>	<u>-3.157.257</u>	<u>26.504.739</u>

Development in contributed capital within the past 5 years

Balance start	<u>610.000</u>
	<u>610.000</u>

The share capital is divided as follows:

610 shares of nom kr. 1.000	<u>610.000</u>
	<u>610.000</u>

	2017	2016
	DKK	DKK

3 Contractual obligations and contingent items, etc.

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 351 per year and a total remaining lease life on between 1 to 49 months.

The company has an annual rent commitments of approx DKK 1.2 million, which can not be terminated before on 30 June 2018.

There is currently a tax case regarding transfer pricing. The outcome of the case is uncertain, why no amount has been included in the financial year 2017

4 Charges and securities

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

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“Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument.”

Antonio Nigro

Bestyrelsesmedlem

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Adam Eisner

Direktør

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Adam Eisner

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Christian Matt

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Henning Jensen

Registreret revisor

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Antonio Nigro

Dirigent

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