

# GARMIN®

2018 ANNUAL REPORT





F FUEL FILTER ON TRAFFIC

5 - 0 + 5  
% Rpm  
8.15

NTL-NR  
RPM  
1400  
1000  
800  
600  
400  
200

ALT  
10  
8  
6  
4  
2

GARMIN  
356  
GPS  
No Wind Data

WITH BATTERY RELOCATOR (STC D988-37)  
WITH STC (PROCEED) NO EXCESS MAX LOAD  
IN RN HOLD BY 2005 (4-410)

MONITOR AMP GAUGE TO MAINTAIN GENERATOR  
LOADING BELOW 150 AMPS. REFER TO FLIGHT MANUAL  
"EMERGENCY PROCEDURES" FOR GENERATOR FAILURE.

WARNING  
YORK  
INSTRUMENT LIGHTS 1  
INSTRUMENT LIGHTS 2  
POSITION LIGHTS  
ANTI-COL ALL/T  
EXIT LIGHTS

DAY/NIGHT VFR  
1200  
ALT  
117.40  
115.40  
KSLE  
PS  
HEARER  
Rptg. Zone

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# LETTER FROM THE CEO

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## DEAR SHAREHOLDER,

Garmin delivered solid financial results in 2018, our third consecutive year of consolidated revenue and profit growth. Our success was driven by strong performance by four of our five reportable segments, which reported double-digit revenue growth.

The year offered much to celebrate, including the opening of our new manufacturing facility in Olathe, Kansas, which more than doubled our North American manufacturing capacity. This investment reinforces Garmin's continued commitment to our customers, associates, shareholders and community. We also shipped nearly 15 million units during the year and more than 205 million units since inception, including more than 1 million certified aviation products.

We not only expanded our physical footprint but also our product lines and market presence by entering new product categories. Growth in the Aviation segment was driven by the ADS-B equipage mandate, new products and aircraft certifications, while growth in Outdoor and Fitness segments was driven by wearable product categories. The Marine segment grew at a faster rate than the market because of game-changing innovations and market share gains. While we continue to see a decline of the PND market size, our share of the market remains strong.

We are very pleased with our accomplishments in 2018 and are optimistic about what we can achieve in the coming year. In 2019, Garmin will celebrate its 30th anniversary. As we reflect on how far we've come and the growth of our business, it is just as exciting to think about the possibilities that lie before us. We see opportunities in each of our segments and intend to capitalize on these by creating superior products that play an essential role in our customers' lives.

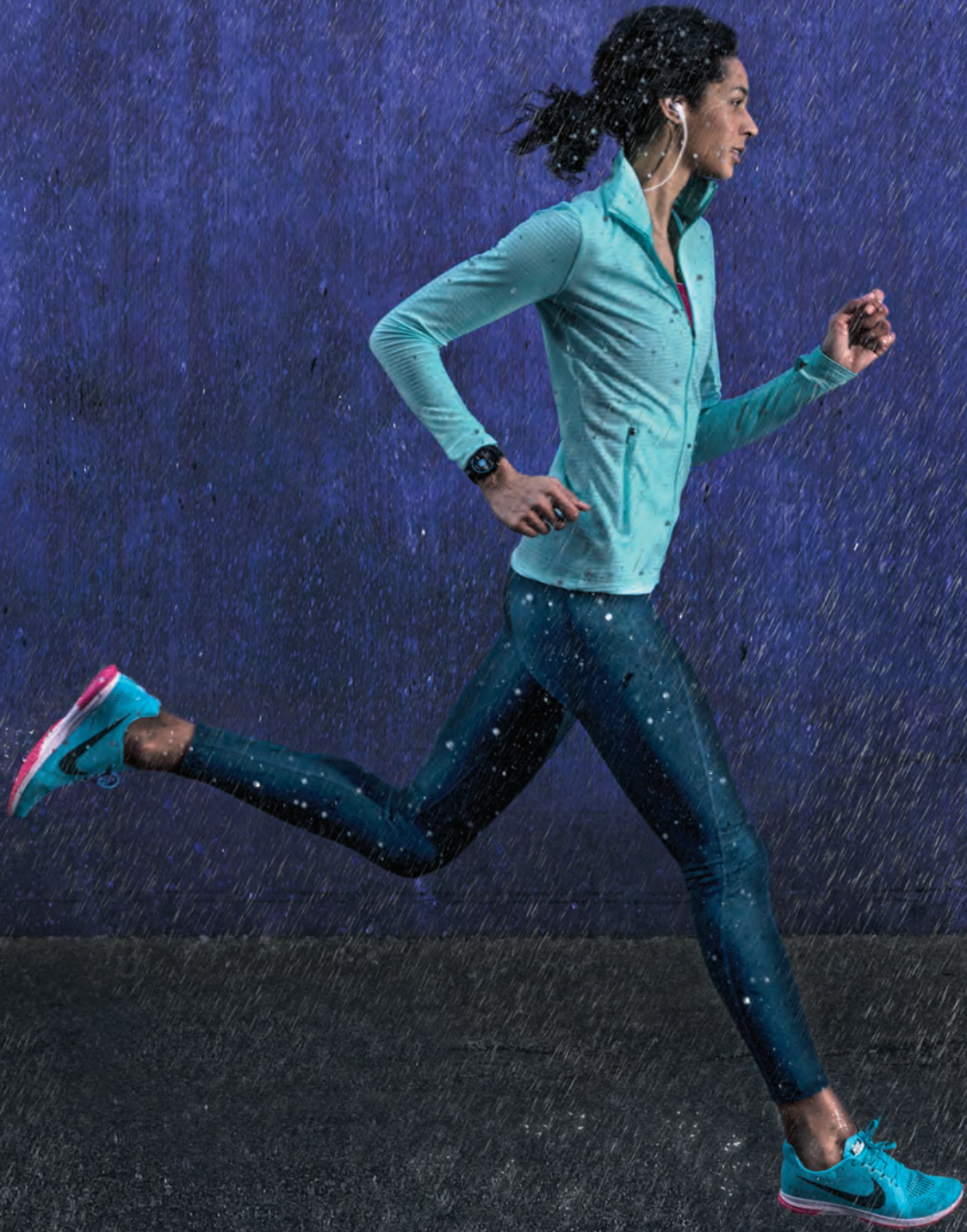
I want to thank our shareholders for your interest in Garmin, and we look forward to another successful year together in 2019.



CLIFF PEMBLE | PRESIDENT AND CEO

2018

10-K



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 29, 2018  
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 0-31983

**GARMIN LTD.**

(Exact name of registrant as specified in its charter)



**Switzerland**

(State or other jurisdiction  
of incorporation or organization)

**Mühlentalstrasse 2**

**8200 Schaffhausen**

**Switzerland**

(Address of principal executive offices)

Registrant's telephone number, including area code: **+41 52 630 1600**

**98-0229227**

(I.R.S. Employer Identification No.)

N/A

(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

**Registered Shares, CHF 0.10 Per Share Par Value**

(Title of each class)

**The Nasdaq Stock Market, LLC**

(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES  NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES  NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or emerging growth company. See the definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company”, and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

Aggregate market value of the common shares held by non-affiliates of the registrant as of June 30, 2018 (based on the closing price of the registrant's common shares on the Nasdaq Stock Market for June 29, 2018) was \$7,753,502,173.

Number of shares outstanding of the registrant's common shares as of February 15, 2019:

Registered Shares, CHF 0.10 par value – 198,077,418 (including treasury shares)

**Documents incorporated by reference:**

Portions of the following document are incorporated herein by reference into Part III of the Form 10-K as indicated:

**Document**

Company's Definitive Proxy Statement for the 2019 Annual Meeting of Shareholders which will be filed no later than 120 days after December 29, 2018.

**Part of Form 10-K into  
which Incorporated**

Part III

**Garmin Ltd.**

**2018 Form 10-K Annual Report**

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## CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING COMMENTS

The discussions set forth in this Annual Report on Form 10-K contain statements concerning potential future events. Such forward-looking statements are based upon assumptions by the Company's management, as of the date of this Annual Report, including assumptions about risks and uncertainties faced by the Company. In addition, management may make forward-looking statements orally or in other writings, including, but not limited to, in press releases, in the annual report to shareholders and in the Company's other filings with the Securities and Exchange Commission. Readers can identify these forward-looking statements by their use of such verbs as "expects," "anticipates," "believes" or similar verbs or conjugations of such verbs. Forward-looking statements include any discussion of the trends and other factors that drive our business and future results in "Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations." Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their date. If any of management's assumptions prove incorrect or should unanticipated circumstances arise, the Company's actual results could materially differ from those anticipated by such forward-looking statements. The differences could be caused by a number of factors or combination of factors including, but not limited to, those factors identified under Item 1A "Risk Factors." Readers are strongly encouraged to consider those factors when evaluating any forward-looking statements concerning the Company. Except as may be required by law, the Company does not undertake to update any forward-looking statements in this Annual Report to reflect future events or developments.

### Part I

#### Item 1. Business

This discussion of the business of Garmin Ltd. ("Garmin" or the "Company") should be read in conjunction with, and is qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Item 7 herein and the information set forth in response to Item 101 of Regulation S-K in such Item 7 is incorporated herein by reference in partial response to this Item 1. Garmin has identified five reportable segments for external reporting purposes: auto, aviation, marine, outdoor and fitness. There are two operating segments (auto PND and auto OEM) that are not reported separately but are aggregated within the auto reportable segment. The Company's Chief Executive Officer has been identified as the Chief Operating Decision Maker (CODM), who allocates resources and assesses performance of each segment individually.

Garmin was incorporated in Switzerland on February 9, 2010 as successor to Garmin Ltd., a Cayman Islands company ("Garmin Cayman"). Garmin Cayman was incorporated on July 24, 2000 as a holding company for Garmin Corporation, a Taiwan corporation, in order to facilitate a public offering of Garmin Cayman shares in the United States. On June 27, 2010, Garmin became the ultimate parent holding company of the Garmin group of companies pursuant to a share exchange transaction effected for the purpose of changing the place of incorporation of the ultimate parent holding company of the Garmin group from the Cayman Islands to Switzerland (the "Redomestication"). Pursuant to the Redomestication, all issued and outstanding Garmin Cayman common shares were transferred to Garmin and each common share, par value U.S. \$0.005 per share, of Garmin Cayman was exchanged for one registered share, par value 10 Swiss francs (CHF) per share, of Garmin. At the Company's Annual General Meeting on June 10, 2016, the Company's shareholders approved the cancellation of 10,000,000 registered shares of the Company held by the Company (the "Formation Shares") and the reduction in par value of each share of the Company from CHF 10 to CHF 0.10 and the amendment of the Company's Articles of Association to effect a corresponding share capital reduction. This share cancellation has reduced authorized shares from 208,077,418 shares to 198,077,418 shares, with an incremental 99,038,709 conditional shares that may be issued through the exercise of option rights, which are granted to Garmin employees or members of its Board of Directors. Garmin owns, directly or indirectly, all of the operating companies in the Garmin group.

Garmin's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statement and Forms 3, 4 and 5 filed by Garmin's directors and executive officers and all amendments to those reports will be made available free of charge through the Investor Relations section of Garmin's website (<http://www.garmin.com>) as soon as reasonably practicable after such material is electronically filed with, or



furnished to, the Securities and Exchange Commission (the “SEC”). The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

The reference to Garmin’s website address does not constitute incorporation by reference of the information contained on this website, and such information should not be considered part of this report on Form 10-K.

## **Company Overview**

For nearly 30 years, Garmin Ltd. and subsidiaries (together, the “Company”) has pioneered new Global Positioning System (GPS) navigation and wireless devices and applications that are designed for people who live an active lifestyle. Garmin serves five primary business units, including auto, aviation, fitness, marine, and outdoor. We believe it is through these business units that Garmin is able to achieve synergies in raw material purchases, manufacturing, distribution, research and development and marketing efforts making for a stronger, more effective company. Garmin designs, develops, manufactures, markets and distributes a diverse family of hand-held, wearable, portable and fixed-mount GPS-enabled products and other navigation, communications, sensor-based and information products. In 2018, Garmin celebrated a milestone in delivering its 200 millionth product since the inception of the business and delivered more than 14.9 million products during the year.

## **Overview of the Global Positioning System**

The Global Positioning System (GPS) is a global navigation satellite system that is able to provide precise geographic location and data to GPS receivers. The system consists of a constellation of orbiting satellites and provides global coverage. Access to GPS is provided free of charge. GPS satellites and their ground control and monitoring stations are maintained and operated by the United States Department of Defense, which maintains an ongoing satellite replenishment program to ensure continuous global system coverage.

Garmin utilizes a variety of other global navigation satellite systems (GNSS) including, but not limited to:

- Japan’s MTSAT-based Satellite Augmentation System (MSAS) which achieved initial operating capability for enroute, terminal and approach navigation for aviation on September 27, 2007.
- The European Geostationary Navigation Overlay Service (EGNOS) aviation Safety of Life (SoL) service which achieved initial operating capability for enroute, terminal, and approach navigation on March 2, 2011.
- The Global Navigation Satellite System (GLONASS), a space-based satellite navigation system operated by the Russian Federation, consisting of 24 satellites and providing world-wide coverage.
- The Galileo system, a global navigation satellite system that is currently being built by the European Union and European Space Agency with 30 total satellites planned for orbit (24 operational and six active spares), of which 26 are currently operational. Complete operational status is expected by 2020.
- The BeiDou Navigation Satellite System (BDS), a Chinese satellite navigation system that is expected to have 35 operating satellites in orbit by 2020 and will provide global coverage.

In certain urban canyon or restricted sky visibility situations, the combination of multiple global navigation satellite systems to produce a navigation fix may result in improved accuracy.

On a subscription basis, certain Garmin products offer access to the Iridium satellite network, a synchronized constellation of 66 low Earth orbit (LEO) satellites offering global data communication coverage. The Iridium network is the only network that spans the entire globe, offering 100 percent coverage worldwide to enable satellite-based communication.

The accuracy and utility of GPS can be enhanced through augmentation techniques which compute any remaining errors in the signal and broadcast these corrections to a GPS device. The Federal Aviation Administration (“FAA”) has developed a Wide Area Augmentation System (WAAS) comprising ground reference stations and

additional satellites that improve the accuracy of GPS positioning available in the United States and most of Canada and Mexico to approximately 3 meters. WAAS supports the use of GPS as the primary means of enroute, terminal and approach navigation for aviation in the United States. The increased accuracy offered by WAAS also enhances the utility of WAAS-enabled GPS receivers for consumer applications.

## **Products**

Garmin offers a broad range of solutions across its reportable segments as outlined below. In general, Garmin believes that its products are known for their value, high performance, ease of use, innovation, and ergonomics.

### **Auto**

Garmin offers a broad range of products designed for use in the auto market. Garmin currently offers to customers around the world:

#### **Personal Navigation Devices (PND) –**

PNDs combine a full-featured GPS navigator (with built-in maps) with Garmin’s uniquely simple user interface. PNDs are sold under the Garmin Drive™, zūmo®, dēzl™, RV and Garmin fleet™ product lines. The zūmo series offers motorcycle-specific features. The RV series offers features specific to the RV enthusiast. The dēzl series offers over-the-road trucking features while the Garmin fleet series delivers an integrated tracking and dispatch fleet system. Across the expansive product portfolio, Garmin offers features such as large screens, integrated traffic receivers for traffic avoidance, bundled lifetime map updates, spoken street names, voice activated navigation, speed limit indication, lane assist with PhotoReal junction views (thousands of high quality photos of actual upcoming junctions), Bluetooth hands-free capability, DashCams, driver awareness alerts, and backup cameras.

Garmin offers the Garmin Drive™ and Smartphone Link mobile applications across a broad range of smartphones and tablets including iOS, Android and Windows enabled devices. The Drive and Smartphone Link mobile applications allow a compatible Garmin personal navigator to connect to a compatible smartphone. Information can be shared between the smartphone and the personal navigator including notifications, contacts, search results, driving destination, and even parking location. Real-time services such as live traffic, weather, and live parking can be accessed for useful, real-time driving information.

#### **Original Equipment Manufacturer (OEM) Solutions –**

Garmin has cultivated key relationships with many automobile manufacturers to be the provider of a variety of auto OEM solutions. These range from complete embedded infotainment systems that provide a broad range of functionality, to integrated camera solutions, embedded navigation solutions, and precise positioning technology solutions. These support not only the infotainment system in the vehicle, but also key advanced driver-assistance systems (ADAS) functionality as well.

#### **Cameras –**

Garmin offers VIRB® action cameras that capture 360-degree footage up to 5.7K/30fps with digital image stabilization, voice or wireless remote control, and the ability to take high quality still photographs while the video camera is recording. VIRB action cameras offer built-in Wi-Fi, data sensors and a high-sensitivity GPS receiver to add speed, elevation, G-force, heart rate, and other data onto video through our VIRB Edit and VIRB Mobile applications.

Garmin offers GPS-enabled DashCams that provide high-quality video recording, provide forward collision and lane departure warnings, and automatically saves video footage with G-sensor incident detection. DashCams are offered as compact, discreet standalone cameras that can be mounted to a car windshield or built-in to certain PNDs. Garmin also offers wireless backup cameras that can be utilized with compatible PNDs to display camera footage behind the vehicle when the vehicle is in reverse.

## **Outdoor**

Garmin offers a broad range of products designed for use in outdoor activities. Garmin currently offers to consumers around the world:

### **Outdoor Handhelds –**

Outdoor handhelds range from basic waypoints navigation capabilities to advanced color touchscreen devices offering barometric altimeter, 3-axis compass, camera, microSD™ card slot for optional customized maps, Bluetooth for smartphone connectivity, satellite communication and other features. Outdoor handhelds are sold under the Oregon®, Rino®, Montana®, eTrex®, GPSMAP®, Foretrex® and inReach® product lines. Each series of products is designed to serve various price points and niche activity categories. Handhelds with inReach include global satellite technology which, when combined with an active subscription, offers 2-way text messaging, S.O.S. capabilities and weather forecasts while anywhere in the world.

### **Adventure Watches –**

Garmin offers GPS ruggedized smartwatches for outdoor activity. The fēnix® series provides advanced multisport features for hiking, climbing, skiing, running, cycling, swimming, yoga, repetition counting, and more. The fēnix series also offers a variety of navigational tools, third party application support with Connect IQ™ and connected features, as well as Elevate™ wrist heart rate technology for certain models. The fēnix 5 and 5 Plus series offer three different watch sizes, along with multiple QuickFit® band options available for each model. The fēnix 5 Plus series added color maps, Garmin Pay™ contactless payment solution, and music to all three watch sizes. The fēnix 5X Plus also introduced Garmin's first wearable to offer a wrist-based Pulse Oximeter for altitude acclimation awareness. The tactix® Charlie provides preloaded full-color TOPO mapping and other features inspired by the requirements of law enforcement and police special operations. The Descent™ Mk1 is a watch style dive computer that offers divers GPS navigation, multiple dive modes, support for up to six gasses, and additional features including Garmin Elevate™ wrist heart rate technology and a variety of multisport features. In 2018, Garmin introduced Instinct, a rugged and reliable outdoor GPS smartwatch with built-in sports apps, heart rate sensor, smart connectivity and wellness data.

### **Golf Devices –**

The Approach® series of golf-focused devices includes handhelds, wrist-worn devices, club sensors, and laser ranging devices with over 41,000 preloaded worldwide golf courses. The offerings range from basic display of yardages to the front, back and middle of greens to advanced, touchscreen devices providing measurement of individual shot distances and display of the slope-adjusted yardage to fairways, hazards and greens. The S10 is an easy-to-use entry level GPS golf watch that provides precise distances to the front, middle, and back of the green on over 41,000 preloaded golf course maps on a 1.3-inch high-resolution sunlight readable screen. The S20 model includes AutoShot to automatically record distance and location of shots, daily activity tracking and smart notifications. The S60 model also includes a touchscreen display and PlaysLike feature, which takes into account the elevation change between golfers and their target to calculate the

distance for how the shot will likely play. The S60 also offers Connect IQ support and a premium model which features a ceramic bezel.

Many of the golf devices include a statistic-tracking feature that allows users to track and analyze their golf statistics through a Garmin mobile application. Some devices include swing metrics, which give audible tones to fine-tune swing tempo, an internal compass which provides directional assistance to the pin on blind shots, manual pin positioning, which allows users to tap and drag the flag on the green for precise yardage to the flag, and the ability to display emails, text messages and alerts.

In 2018, Garmin also introduced the Approach Z80, a full-featured integrated laser range finder with GPS, and Approach CT10, club tracking sensors for fully automated game tracking. The Z80 laser range finder features an overlaid image of the hole on over 41,000 preloaded golf courses and also includes image stabilization to reduce shakiness and PlaysLike feature to adjust distances based on uphill or downhill slope. The CT10 sensors are lightweight sensors added to golf clubs and paired with compatible Garmin golf wearables to provide in-depth analysis and insight on distance and accuracy on each golf club.

### **Dog Tracking and Training Devices –**

Garmin offers a series of dog-focused products providing a range of functionality including GPS-enabled dog tracking, electronic dog training, and automatic bark detection and correction. The products are offered under the Astro®, Alpha®, Atemos™, PRO, Sport PRO™, BarkLimiter™, Delta® and Delta Smart™ product lines. The Alpha and Astro series can pinpoint multiple dogs' positions at one time through all-weather collars and a handheld system, and can also connect to a variety of compatible Garmin devices such as the Garmin DriveTrack™ 71 GPS navigator or certain adventure watches to display dog positions. Alpha combines the tracking capabilities of Astro with electronic dog training. The BarkLimiter is an intuitive electronic bark correction device. The Delta and PRO series of training collars offers a remote training device with integrated bark limiting capability for consumer and professional dog training markets, with additional tracking features available on the PRO 550 Plus.

### **Garmin Connect and Garmin Connect Mobile –**

Garmin Connect™ and Garmin Connect™ Mobile are web and mobile platforms where users can track and analyze their fitness, activities and workouts, and wellness data. In addition, users can share their accomplishments, create training groups and group challenges, and get feedback and encouragement from the Connect community.

### **Connect IQ –**

The Connect IQ™ application development platform enables third-parties to create a variety of experiences that run on a wide assortment of Garmin devices. Connect IQ provides developers with an easy-to-use software development kit (SDK) to facilitate development efforts in creating watch faces, applications, widgets, and data fields. These third-party applications are available for download by Garmin users via their mobile phone or computer and run on their compatible Garmin wearable, bike computer, or outdoor handheld.

## ***Fitness***

Garmin offers a broad range of products designed for use in fitness and activity tracking. Garmin currently offers to consumers around the world:

### **Running/Multi-Sport Watches –**

The Forerunner® series offers compact, lightweight training watches for athletes with an integrated GPS sensor that provide time, speed, distance, pace and other data. Most models also offer a heart rate monitoring function and heart-rate based calorie computation. In 2018, Garmin added the Forerunner 645 and Forerunner 645 Music, delivering a premium GPS running watch with Garmin Elevate™ wrist-based heart rate monitoring and Garmin Pay™ contactless payment solution, while the Forerunner 645 Music adds music storage capabilities to the watch. All Forerunner models allow runners to upload their data to the Garmin Connect application, where they can store, analyze and share their workout data. Additional advanced features include: Virtual Racer™, which allows runners to race against their previous best times, recovery advisor, race predictor and VO2 max estimate. Some models are designed specifically for triathletes. These all-in-one GPS-enabled devices provide detailed swim metrics and track distance, speed/pace, elevation and heart rate for running and cycling.

### **Cycling Computers –**

The Edge® series measures speed, distance, time, calories burned, climb and descent, and altitude offering an integrated personal training system designed for cyclists. In addition, Garmin offers devices geared toward performance-driven cyclists offering real-time connectivity through a smartphone, providing live tracking, social media sharing and real-time weather updates. The Edge series range from basic easy-to-use bike computers to premium, top-of-the-line models with advanced navigation, performance and cycling awareness features.

### **Cycling Power Meter –**

Garmin offers Vector™, which is a high-precision pedal-based power meter designed specifically for cyclists. It provides power data to compatible devices with (or using) ANT+® technology. Some models also measure and present right and left leg power balance.

### **Cycling Safety and Awareness –**

Garmin offers the Varia™ product line focused on cycling safety and awareness. Varia bike radar alerts cyclists when vehicles are approaching from behind and Varia bike lights make the cyclist more visible when out on the road. Varia Vision™ is a heads-up display that makes data available to the cyclist in their line of sight.

### **Activity Tracking Devices –**

Garmin offers numerous devices to address the activity tracking market. The vívomove® HR provides wrist-based heart rate monitoring, sleep monitoring, and activity tracking to a hybrid smartwatch. The vívofit® fitness bands provide a personalized daily goal, track progress and remind users when it's time to move. The devices feature a one-year battery life with an always-on display that show steps, goal countdown, calories, distance, time of day and heart rate when paired with a monitor. The vivosmart® provides the same functions as the vívofit bands but also includes Garmin Elevate™, smart notifications and a vibration alert, and a wrist-based pulse oximeter sensor in the vivosmart 4 that was released in 2018. The vivosport® incorporates GPS, allowing users to even more accurately track distance, time and pace for their activities, as well as view a

map of their activity on Garmin Connect™. The vivoactive® smartwatches are focused on the active lifestyle consumer with all the basic activity tracking features along with applications designed for running, cycling and swimming and includes connectivity to the Connect IQ™ application store for further customizations and capabilities. The vivoactive 3 Music was released in 2018, which added music storage capabilities to the vivoactive GPS smartwatch product line.

## **Marine**

Garmin is a leading manufacturer of recreational marine electronics and offers a broad range of products. Garmin currently offers to customers around the globe:

### **Chartplotters and Multi-Function Displays (MFDs) –**

Garmin offers numerous chartplotters/MFDs under the GPSMAP® and echoMAP™ product lines. The offerings range from 4-inch portable and fix-mounted products to 24-inch fully-integrated Glass Helm offerings. The Garmin Quickdraw™ Contours feature allows users the ability to generate their own fishing charts while they cruise around the lake and even share or download this fishing charts from a global community. Additionally, most models have the CHIRP sonar function fully integrated to reduce system cost. Our chartplotters also support “plug-and-play” access to onboard sensors and Garmin accessories with NMEA 2000, Garmin Marine Network (a system that combines GPS, radar, SiriusXM WX Satellite Weather, sonar, and other components) and the FUSION-Link™ entertainment interface. Most of our chartplotter/MFD line-up also support Wi-Fi to enable connected features including smartphone notifications, mobile updates for charts and software, crowd sourced data, user data synchronization, and others through the ActiveCaptain® app to ensure the latest information and software is always available for the vessel. The ActiveCaptain app is available in the Apple and Android app stores.

### **Cartography –**

Garmin is a premier supplier of cartography for the recreational marine market. Together with our subsidiary Navionics®, which serves the content needs of many 3rd party chart plotters, Garmin is the worldwide leader in recreational marine content. Cartography product options range from worldwide basemaps to highly detailed BlueChart® g2, BlueChart® g3, BlueChart® g2 Vision® and BlueChart® g3 Vision, LakeVü g3 and LakeVü g3 Ultra charts, Navionics+, Platinum+ and Hotmaps Platinum products with coverage in many parts of the world, offering auto-guidance (Garmin US-patented), Navionics Dock to dock autorouting, 3-D chart views and aerial reference photos. Many of these products include Garmin’s most detailed cartography based on our own surveys done in U.S. inland waters by Garmin’s fleet of high tech boats, content developed and owned exclusively by Navionics own survey and data collection efforts, as well as depth content based on Navionics popular SonarChart™ product containing community contributions worldwide. We also offer the highly-rated Navionics boating app to bring cartography to the mobile phones and tablets of recreational boaters worldwide.

### **Fishfinders –**

Garmin offers an advanced line of fishfinders, the Striker™ series, which incorporate GPS technology and Quickdraw™ Contours. These fishfinders are available in screen sizes from 4 to 9 inches and are paired with our latest technology sonar transducers to provide the clearest sonar pictures on the water. ClearVü sonar and Quickdraw Contours are offered on the 4-, 5-, 7- and 9-inch models which provides high resolution images of what is under the boat and the ability to create your own fishing maps. The 7- and 9-inch models also offer a SideVü option which provides similar high-resolution images but reaches much further out on either side of the boat making the search for fish more efficient. The GPS technology enables anglers to have highly accurate speed

information and mark their best fishing spots and then easily return to them next weekend, next month, or next year. The 7- and 9-inch models also offer Wi-Fi technology which enables wireless updates and Quickdraw Contour sharing that give anglers access to a global fishing map community where owners can contribute or download what others have shared.

#### **Sounders –**

Garmin offers “black-box” sounders and “smart transducers” which interface with Garmin MFDs to enhance their utility by providing the depth sounder and fish finder functions in a remote mounted package. The black boxes provide CHIRP, Ultra High-Definition ClearVü, and Ultra High-Definition SideVü sonar, similar to our integrated sonar plotters, but can be mounted in a more convenient location away from the helm. Additionally, we offer up to 3kW transmit power with our black box line-up which will reach deeper depths for ocean use. Our newest smart transducer line is the Panoptix™ all seeing sonar. It provides detailed images that can be seen in real-time (LiveVü), 3D (RealVü), and in a forward-looking configuration (FrontVü) for seeing what is coming before you get there. Panoptix is offered in a range of transducers for transom, trolling motor, or thru-hull mounting configurations. Panoptix LiveScope™ was introduced in 2018 and takes all seeing sonar to a new level. LiveScope™ takes the real-time aspect of our original Panoptix but significantly increases the resolution to provide an unparalleled view of what is happening live under the water.

#### **Autopilot Systems –**

Garmin offers full-featured marine autopilot systems designed for sailboats and powerboats. The systems incorporate such features as Garmin’s patented Shadow Drive™ technology, which automatically disengages the autopilot if the helm is turned, remote steering and speed control, and integration with the Volvo Penta IPS steering and propulsion system. Garmin has also introduced steer-by-wire autopilot capabilities for various steering systems.

#### **Radar –**

Garmin offers high-tech solid state Fantom™ radar with MotionScope™ Doppler technology, lowering system power consumption while greatly improving situational awareness of the captain. MotionScope can instantly show if a target is closing in or safely going the other direction. Fantom radars are available in both radomes and open array radar products with compatibility to any network-compatible Garmin chartplotter. When paired with our newer MFDs, the radars support dual-range mode so users can operate the radar in two ranges independently. The Fantom radars are offered in addition to the more traditional magnetron radars. The Garmin radar solutions range from 18 inches to 6 feet antennas and from 4kW (or equivalent) up to 25kW with a maximum range of 96 nautical miles.

#### **Instruments –**

Garmin offers NMEA 2000 and NMEA 0183 compliant instrument displays that show data from multiple remote sensors on one screen. Mariners can display instrument data such as depth, speed through the water, water temperature, fuel flow rate, engine data, fuel level, wind direction and more, depending upon the specific sensors connected. Garmin instruments offer screen sizes from 4 to 10 inches, and the 10-inch mast mounted displays provide maximum visibility around the vessel.

#### **VHF Communication Radios –**

Garmin provides marine VHF radios with the latest feature sets for the communication needs of all types of mariners. Our radios are NMEA 2000 compatible and the mid-range and premium

radios are designed for larger vessels and include NMEA 0183, offer multi-station support, and monitor all AIS channels at the same time.

#### **Handhelds and Wearable Devices –**

Garmin offers a floating marine GPS handheld featuring a 3-axis tilt-compensated electronic compass, wireless data transfer between compatible units and preloaded cartography for the coastal United States. The quatix® series, Garmin GPS watches designed for mariners, combines marine features for navigation, sailing, stereo control, and even some autopilot functions while integrating Garmin's GPS technology and interface. The quatix 5 model also includes Garmin Elevate™ wrist-based heart rate monitoring.

#### **Sailing –**

Garmin has integrated many basic and advanced sailing features into our MFD and instrument systems. These SailAssist features include enhanced wind rose with true and apparent wind data, pre-race guidance, synchronized race timer, virtual starting line, time to burn and lay line data fields.

#### **Entertainment –**

Garmin's entertainment brand, FUSION®, consists of marine audio head units, speakers and amplifiers. These products are designed specifically for the marine or RV environments and support many connectivity options for integrating with MFDs, smartphones, and even the Garmin quatix® marine watch for an outstanding experience on the water. The FUSION marine head units are designed specifically for the marine environment and feature up to 4 zones in one unit to control. The system can support multiple head units allowing control of the whole system from a Garmin MFD.

#### **Digital Switching –**

In 2018 Garmin acquired Trigentic who designs and manufactures digital switching equipment under the EmpirBus™ brand. The EmpirBus products provide power distribution and control solutions for marine and RV applications which enable advanced logic controls and smart electrical systems to enhance features in a boat or RV. Control for EmpirBus products is integrated into Garmin's marine multi-function displays and RV OEM products.

#### **Aviation**

The Garmin aviation segment is a leading provider of solutions to aircraft manufacturers, existing aircraft owners and operators, as well as government/defense customers and serves a range of aircraft including business aviation, general aviation, experimental/light sport, helicopters, optionally piloted vehicles (OPV), unmanned aerial vehicles (UAV) and more. Garmin's portfolio includes flight displays, navigation, communication, flight control, hazard avoidance, weather radar, radar altimeter, datalink weather receivers and services, engine information systems, traffic collision avoidance systems, terrain awareness and warning systems (TAWS), controller-pilot data link (CPDLC), an expansive suite of automatic dependent surveillance broadcast (ADS-B) solutions, in-cockpit and cloud connectivity, wearables, portables, apps, training, simulation, flight planning/filing, premium trip services, aviation data services as well as other solutions that are known for innovation, reliability, and value. The list below includes a sampling of some of the aviation capabilities currently offered by Garmin around the world:



## **Integrated Flight Decks/Flight Displays –**

Garmin offers a range of integrated glass flight decks from the G1000® NXi for the general aviation and business aviation markets to the G5000® for business aviation, defense and commercial applications. Integrated capabilities include: navigation, communication, flight instruments, weather, terrain, traffic, ADS-B, engine information on large high-resolution color displays, and automatic flight control systems. Head-up display technology virtually mirrors the primary flight display instruments allowing for increased aircraft capability in adverse weather conditions. Additional features include: Garmin's 3-D synthetic vision technology (SVT™), weather, Garmin's electronic stability and protection system (ESP™), electronic flight charts, touchscreen and voice controls, CPDLC, audio and visual feedback, and animation to help pilots know exactly how the system is responding to their input.

Garmin offers similar integrated glass flight decks for the helicopter market with the G1000H® NXi, G3000H™, and G5000H™. Basic and advanced capabilities are similar to those offered to the fixed-wing aircraft market. The helicopter offerings have been optimized for rotorcraft and offer features like helicopter synthetic vision technology (HSVT™), helicopter terrain awareness and warning system with voice call outs, radar altimeter display, helicopter-specific databases that include additional heliports and low-altitude obstacles, WireAware™ wire-strike avoidance technology, as well as high resolution terrain, tailored ADS-B traffic alerting, and the ability to display video from a forward looking infrared (FLIR) camera or other video sources.

Garmin also offers all-glass integrated flight decks to the retrofit market through G950® NXi, G1000® NXi, G3000® and G5000®. Additionally, Garmin offers electronic flight display solutions that provide essential information such as aircraft altitude, attitude and heading while also displaying data from other avionics such as weather, traffic and much more. These solutions include G3X Touch™, G500H TXi, G500 TXi, G600 TXi and G700 TXi.

## **Panel-mount aviation products –**

### **GPS/Navigation/Communication Solutions –**

Garmin serves the market with the GTN™ series, a premium touchscreen GPS, VHF navigation and communication, and multi-function display (MFD). In addition to these core functions, this series of products combines a wealth of information for the pilot into a single display including flight planning, datalink weather, weather radar, traffic, terrain awareness and warning system (TAWS/HTAWS), charts, airport information, airspace boundaries, and much more. Additional capabilities provide advanced ADS-B “In” traffic display, including TerminalTraffic™ and patented TargetTrend™ technology as well as the ability to control the display with voice commands. Advanced GTN integration capabilities provide the option to install and control a remotely located transponder and audio processor for an even more streamlined installation and single interface. The GTN series also provides wireless cockpit connectivity (when properly equipped) with mobile device apps (such as Garmin Pilot™) or portable aviation navigators (such as aera® 660). Wireless cockpit connectivity features can include voice call control, text messaging, automatic wireless database updating via Database Concierge, wireless flight plan transfer, SiriusXM radio control, sharing of weather, traffic, position information and more. Garmin also offers more traditional VHF navigation and VHF communication transceivers with the GNC® and GTR™ series.

### **Traffic Solutions –**

Garmin offers a comprehensive line of traffic alert and collision avoidance systems (TCAS) and traffic advisory systems (TAS) for all markets served. Advanced TCAS II systems actively identify potential aircraft threats, coordinate and instruct the pilot with a resolution advisory (RA) via a

spoken command. The GTS™ series also offers TCAS I and TAS that combine active and passive surveillance data to pinpoint specific traffic threats. The systems use our patented CLEAR CAS™ technology and correlate passive automatic dependent surveillance broadcast (ADS-B) targets with active surveillance targets for a more comprehensive display to the pilot. These systems can also provide audible alerts in a spoken ATC-like format that is easily understood by the pilot and allows him to keep his eyes outside of the aircraft.

#### **Audio Solutions –**

The GMA™ series of audio panels ranging from offerings with basic capabilities for the recreational pilot to advanced capabilities including voice control of audio panel and GTN™ series functions, Bluetooth connectivity for wireless music input, phone calls and VIRB® action camera audio output, advanced audio effects, 3D spatial audio processing, digital voice recorder, advanced auto squelch, ambient noise based volume adjustment and independent pilot/co-pilot communications capabilities. When connected to a Garmin GTN series navigator, advanced voice control functions are available, and include the ability to change page views, load destination frequencies and much more.

#### **Transponder and ADS-B Solutions –**

Garmin offers solutions for all aviation markets we serve that meet and exceed the FAA’s ADS-B mandate that requires all aircraft operating in select U.S. airspace (typically where a Mode C or S transponder is required today) to equip by 2020. For business aviation aircraft, Garmin pairs the GTX™ 3000 transponder and GDL® 88 datalink for both ADS-B out and in while mitigating the need to modify the existing aircraft panel. The GTX 345 and GTX 335 are also available as an option for some business aviation aircraft.

Business aviation, general aviation, helicopters and experimental/light sport aircraft can utilize our popular GTX 345 series of all-in-one ADS-B transponders that offer options with and without GPS built-in (if the aircraft is not already equipped with mandate required GPS source) as well as ADS-B “In”. ADS-B “In” information can be displayed on most Garmin multi-function displays and integrated flight decks as well as select third party displays. Additionally, the GTX 345 can wirelessly transmit this data to a portable device such as a tablet using the Garmin Pilot™ app or compatible Garmin aviation portable. ADS-B “In” offers pilots basic weather information including weather radar imagery, as well as traffic information that can be enhanced with our TerminalTraffic™ and patented TargetTrend™ technology.

Garmin also offers a range of FAA certified UAT-based ADS-B products within the GDL® series, including both ADS-B “Out” and ADS-B “In/Out” solutions with options for built-in GPS.

Many of the ADS-B “In” capable products provide traffic correlation with both Garmin and other compatible third-party traffic systems (such as TCAS) to provide a single, correlated display of traffic to the pilot. Some products also offer the option for diversity (dual) antenna installations.

#### **Weather Solutions –**

Weather capabilities are delivered within our GDL®, GSR™, GSX™, GTX™ and GWX™ series. Garmin solutions include offering SiriusXM satellite data link weather information (subscription required) to an aircraft via various panel-mount Garmin displays and/or portable devices. With our GSR 56 datalink, on-demand global weather information, text/voice communications and position tracking through the Iridium satellite network (subscription required) is available. The GWX and GSX series offer solid state, real-time, airborne doppler-capable weather radar solutions. Doppler-enhanced features include ground-clutter suppression and turbulence detection. Advanced

capabilities also include lightning and hail prediction, volumetric autoscanning and predictive windshear technology.

#### **Flight Control Solutions –**

Garmin offers both standalone and integrated flight control solutions. Our G1000® NXi, G2000®, G3000® and G5000® platforms are integrated with our GFC™ 700 digital autopilot and optionally with our autothrottle solution. For aircraft not equipped with a Garmin integrated flight deck, we offer the GFC 600 and GFC 500 digital autopilots. The GFC 600 and GFC 500 uniquely integrate with our other stand-alone avionics to allow display of the autopilot modes, flight director (FD) command cues and more. The unique design of our autopilots delivers superior in-flight characteristics, self-monitoring capabilities and minimal maintenance needs when compared to older generation autopilot systems. They also boast a robust feature set that incorporates a number of safety-enhancing technologies, including Electronic Stability and Protection (ESP™), underspeed/overspeed protection, Level Mode and much more.

#### **Portable and Wearable Solutions –**

Garmin offers a variety of portable aviation solutions, including our aera® series portable navigators, VIRB® aviation action cameras, D2™ series pilot watches, inReach® global communicators and GDL® series remote ADS-B/SiriusXM receivers. The aera series offers aviators a touchscreen navigation device compatible with a complement of aviation databases including navigation, SafeTaxi®, FliteCharts®, airport directory and terrain/obstacles for heightened situational awareness. Advanced features can include: 3D Vision virtual perspective view of surrounding terrain, a digital document viewer, a scratch pad, geo-referenced sectional and approach charts, wireless database updating, and SiriusXM radio and weather display (subscription required). Complementing the portable display products and the Garmin Pilot™ mobile application is the GDL 52 series, which can provide a remote source of GPS, ADS-B “In” information for traffic and weather, SiriusXM weather and audio as well as backup attitude reference.

The Garmin wearable aviation solutions include our D2 series pilot watches, which offer a built-in worldwide aviation navigation database and more alongside multisport and smartwatch features. Designed specifically for aviators, the current D2 series can display weather information (METARS and TAFs) as well as weather radar from an internet connected smartphone. Other flight information capabilities include a moving map overlaid with the aircraft’s position, HSI navigation, Zulu/UTC time and more. With a built-in baro-adjustable altimeter, vibrating alerts based on altitude can be activated to remind a pilot to activate supplemental oxygen or perform other time critical tasks. The D2 Delta series watches also include multisport features with wrist-based heart rate monitoring, smartwatch capabilities, music storage capabilities, and a wrist-based pulse oximeter sensor available on the D2 Delta PX. Our VIRB aviation action camera products provide pilots a comprehensive solution to record their flights, with the ability to integrate air traffic control communications to the audio recording, filter out prop distortion and overlay speed, altitude, G-force and more for enhanced post flight analysis.

inReach satellite communications and services provide the ability to stay in touch globally. Send and receive messages, navigate your route, track and share your journey and, if necessary, trigger an SOS to get emergency help from a 24/7 global monitoring center via the 100% global Iridium® satellite network.

## Services –

### Mobile Applications –

Garmin Pilot™ is a premium, global app for iOS or Android mobile devices used for flight planning, filing a flight plan, in flight navigation, and automatic flight logging. It offers a comprehensive and simplified experience to access a wealth of information during any particular phase of the flight including weight and balance, performance, and trip calculations, checklists, airport information, weather, traffic, 3D Vision virtual perspective view of surrounding terrain, a digital document viewer, a scratch pad, geo-referenced sectional and approach charts, wireless database updating, ADS-B weather and traffic as well as SiriusXM radio and weather (subscription required). It incorporates global or regional navigation databases and charting options from Garmin as well as optional Jeppesen data and charts. While internet connected, the app provides access to comprehensive global weather information, as available per region, that generally includes weather radar, weather report (METARS), forecasts (TAFs), weather alerts (AIRMETS/SIGMETS), pilot reports, satellite imagery (visible and IR), winds and temperature aloft, lightning data, and notices to airmen (NOTAM). Garmin Pilot is the cornerstone of Garmin's connected cockpit, for example when connected wirelessly with G1000® NXi, a host of benefits become available including automated database updates for the avionics, flight plan transfer, weather and traffic streaming, real-time engine information and much more. Garmin Pilot™ is also wirelessly compatible with select aera® series portables, D2™ aviator watches, G3X Touch™ flight displays, GTX™ series transponders, VIRB® action cameras, inReach® communicators and much more.

Additionally, the FltPlan® Go app offers pilots a free, advertisement supported, alternative to Garmin Pilot and is available for iOS, Android, Windows and Mac. The FltTrack™ app, available for iOS and Android, allows users to view flights by aircraft registration on high-resolution, full-screen maps with weather radar. Flight details include both filed and actual departure times and filed/amended routes. The FltLogic® app is the mobile companion to the FltLogic scheduling website and is available for iOS and Android. It allows pilots and passengers to stay up to date with scheduled flights and provides administrators the ability to create and edit events from their mobile device.

### Web Services –

Pilots and operators can utilize a variety of Garmin web applications before, during and after flights. FltPlan.com is the core of these applications and is trusted by pilots and flight departments to plan and file more flight plans than any other provider. It is renowned for fuel burn accuracy, reliable flight times, accurate routing and features performance profiles for more than 320 aircraft models from experimental aircraft to inter-continental business jets.

FltPlan.com offers a suite of comprehensive trip services designed to help support pilots and flight departments. Services include Pre-departure clearances, runway analysis, eAPIS, international handling, privacy services with DOT COM call signs, flight tracking, fleet management and flight logistics/scheduling.

For flight scheduling, FltLogic.com offers a comprehensive suite of features from trip requests and approvals to flight planning and post-flight reporting to meet complex and changing operational needs. FltPlan® Manager is an integrated, web-based fleet tracking program designed specifically for charter operations, large flight departments, and fractional operations. It offers operators better insight and control of their fleet from a single administrative account. FltSafety.com is a safety management system website that assists pilots and flight departments in managing potential hazards and risks and ensuring overall safety within flight operations.

### **Aviation Databases –**

Garmin offers a wide selection of databases, extended warranties and subscription services to complement our products. Our database offerings include Navigation Data, Obstacles, SafeTaxi® enhanced airport diagrams, Terrain, Basemap and more. Some of these databases are required by government regulations to be updated regularly for legal flight, and Garmin offers single updates as well as annual subscriptions for owners and operators to update all of an aircraft's qualifying avionics systems at a single price. With a database subscription and compatible avionics, owners and operators can conveniently and wirelessly transfer the latest database updates to their avionics via a mobile device running our Garmin Pilot™ application.

### **Extended Warranties –**

Our aviation product support team has been honored with top awards from two of the leading independent avionics support surveys for 15 consecutive years. To further our full product support beyond the standard product warranties, we also offer fixed price extended warranties for integrated flight decks and custom plans tailored to the owner or operator's needs, allowing them peace of mind and predictable maintenance costs. These further our standard warranty periods with world-class factory technical service, 24/7 aircraft-on-ground (AOG) emergency service and more.

### **Datalink Communications –**

Our comprehensive satellite datalink network subscriptions provide owners and operators with compatible avionics, a global weather, voice calling, text messaging and position reporting solution. Global weather includes radar imagery, cloud cover, METARs, TAFs and much more for any point on the globe where the data is available (weather products vary by region).

## **Sales and Marketing**

Garmin's non-aviation products are sold in approximately 100 countries through a large worldwide network of independent dealers and distributors, who meet our sales and customer service qualifications. No single customer's purchases represented 10% or more of Garmin's consolidated net sales in the years ended December 29, 2018, December 30, 2017, and December 31, 2016. Marketing support is provided geographically from Garmin's offices around the world. Garmin's distribution strategy is intended to increase Garmin's global penetration and presence while maintaining high quality standards to ensure end-user satisfaction. Some of Garmin's larger consumer products dealers and distributors include:

- *Amazon.com*—internet retailer;
- *Best Buy*—one of the largest U.S. and Canadian electronics retailers;
- *Walmart*—the world's largest mass retailer; and
- *Decathlon*—one of the world's largest sporting goods retailers

Garmin's retrofit avionics and aviation portable products are sold through a large group of approved Garmin Sales and Service Centers around the world and, in the case of aviation portable products, also through select catalogs and pilot shops. Garmin's largest aviation dealers include Aircraft Spruce & Specialty Co., Elliott Aviation, Gulf Coast Avionics Corp., Park Rapids Avionics, and Sarasota Avionics. Avionics dealers have the training, equipment and certified staff required for installation of Garmin's avionics equipment.

In addition to the traditional distribution channels mentioned, Garmin has many relationships with original equipment manufacturers (OEMs). In the auto segment, Garmin's products are sold globally to automotive and motorcycle OEMs, either directly or through tier 2 sourcing. Some of Garmin's larger OEM relationships include BMW, Chrysler, Daimler (Mercedes Benz), Honda, Toyota, and Volkswagen. In the marine segment, Garmin's

products are standard equipment on various models of boats. Some of the larger OEM relationships include Chaparral Boats, Inc., Cobalt Boats, LLC, Groupe Beneteau, Hydrasports Boats, Ranger Tugs, Regal Marine Industries, Inc., Sea Hunt, Sportsman Boats, Tiara, Viking Yachts, and Yellowfin Yachts. In the aviation segment, Garmin's avionics systems are either standard equipment or optional equipment on various models of aircraft. Some of the larger OEM relationships include Airbus Helicopters, Bell Helicopter, Bombardier Business Aircraft, Cirrus Aircraft, Daher, Diamond Aircraft, Embraer, Gulfstream Aerospace, Honda Aircraft, Leonardo Helicopters, Piper Aircraft, Quest Aircraft, Robinson Helicopter Company, Tecnam, and Textron Aviation.

## **Competition**

In general, we operate in highly competitive markets though competitive conditions do vary among our diverse products and geographies. Garmin believes the principal competitive factors impacting the market for its products are design, functionality, quality and reliability, customer service, brand, price, time-to-market and availability. Garmin believes that it generally competes favorably in each of these areas and as such, is generally a significant competitor in each of our major markets.

Garmin believes that its principal competitors for portable automotive products are MiTAC Digital Corporation (MiTAC) (which distributes products under the brand names of Magellan, Mio, and Navman) and TomTom N.V. Garmin believes that its principal competitors for infotainment solutions are Alpine Electronics, Inc., a subsidiary of Alps Electric Co., Ltd., Harman International Industries, the Mitsubishi Group, and Panasonic Corporation. Garmin believes that its principal competitors for outdoor product lines are Dogtra Company, Magellan, a subsidiary of MiTAC, SportDOG Brand, Suunto Oy, and Vista Outdoor. Garmin believes that its principal competitors for fitness products are Apple Inc., Bryton Corp., Fitbit Inc., Huami Corporation, Huawei Technologies Co. Ltd., Polar Electro Oy, Samsung Electronics Co., Ltd., Sigma Sports, Suunto Oy, and Wahoo Fitness. For marine products, Garmin believes that its principal competitors are Flir Systems, Inc., Furuno Electronic Company, the Humminbird division of Johnson Outdoors, Inc., and Navico. For Garmin's aviation product lines, Garmin considers its principal competitors to be Appareo Systems, Aspen Avionics, Avidyne Corporation, CMC Electronics, Collins Aerospace, Dyon Avionics, ForeFlight, Genesys Aerosystems, Honeywell Aerospace & Defense, Innovative Solutions and Support Inc., L-3 Avionics Systems, Safran SA, Thales, and Universal Avionics Systems Corporation.

## **Research and Development**

Garmin's product innovations are driven by its strong emphasis on research and development and the close partnership between Garmin's engineering and manufacturing teams. Garmin's products are created by its engineering and development staff, which numbered approximately 4,200 people worldwide as of December 29, 2018. Garmin's manufacturing staff includes manufacturing process engineers who work closely with Garmin's design engineers to ensure manufacturability and manufacturing cost control for its products. Garmin's development staff includes industrial designers, as well as software engineers, electrical engineers, mechanical engineers and cartographic engineers. Garmin believes the industrial design of its products has played an important role in Garmin's success. Once a development project is initiated and approved, a multi-disciplinary team is created to design the product and transition it into manufacturing.

## **Manufacturing and Operations**

Garmin believes one of its core competencies and strengths is its vertically integrated manufacturing capabilities at its Taiwan facilities in Xizhi, Jhongli and LinKou, its China facility in Yangzhou, and at its U.S. facilities in Olathe, Kansas and Salem, Oregon. Garmin believes that its ownership and operation of its own manufacturing facilities and distribution networks provides significant capability and flexibility to address the breadth and depth of resources necessary to serve its diverse products and markets.

Specifically, Garmin believes that its vertical integration of its manufacturing capabilities provides advantages to product cost, quality and time to market.

**Cost:** Garmin's manufacturing resources rapidly and iteratively prototype designs, concepts, products and processes, achieving higher efficiency, resulting in lower cost. Garmin's vertical integration approach enables leveraging our manufacturing resources across high, mid and low volume products. Sharing of these resources across our product lines favorably affects Garmin's costs to produce its range of products, with lower volume products realizing the economies of scale of the high volume products. The ownership and integration of our resources allows Garmin to optimize the design for manufacturing of our products, yielding improved cost.

**Quality:** Garmin's automation and sophisticated production processes provide in-service robustness and consistent reliability standards that enables Garmin to maintain strict process and quality control of the products manufactured, thereby improving the overall quality of our products. Additionally, the immediate feedback throughout the manufacturing processes is provided to the development teams providing integrated continuous improvement throughout design and supply chain.

**Time to Market:** Garmin uses multi-disciplinary teams of design engineers, process engineers, and supply chain specialists to develop products, allowing them to quickly move from concept to manufacturing. This integrated ownership provides inherent flexibility to enable faster time to market.

Garmin's design, manufacturing, distribution, and servicing processes in its U.S., Taiwan, China and U.K. facilities are certified to ISO 9001, an international quality standard developed by the International Organization for Standardization. Garmin's automotive operations in Taiwan, China, U.K., and Olathe have achieved IATF 16949 certification, a quality standard for automotive suppliers. Garmin's Olathe and Salem aviation operations have achieved certification to AS9100, the quality standard for the aviation industry.

Garmin International, Inc., Garmin (Europe) Ltd. and Garmin Corporation have also achieved certification of their environmental management systems to the ISO 14001 standard, recognizing Garmin's systems and processes which minimize or prevent harmful effects on the environment and continually strive to improve its environmental performance.

## **Materials**

Although most components essential to Garmin's business are generally available from multiple sources, certain key components are currently obtained by the Company from single or limited sources, which subjects Garmin to supply and pricing risks. Many of these and other key components that are available from multiple sources, including, but not limited to, NAND flash memory, dynamic random access memory (DRAM), GPS chipsets and certain LCDs, are subject at times to industry-wide shortages and commodity pricing fluctuations.

Garmin and other participants in the personal computer, tablet, mobile communication, aviation electronics and consumer electronics industries also compete for various components with other industries that have experienced increased demand for their products. In addition, Garmin uses some custom components that are not common to the rest of the personal computer, tablet, mobile communication and consumer electronics industries, and new products introduced by the Company often utilize custom components available from only one source until Garmin has evaluated whether there is a need for, and subsequently qualifies, additional suppliers. When a component or product uses new technologies, initial capacity constraints may exist until the suppliers' yields have matured or manufacturing capacity has increased. Garmin makes efforts to manage risks in these areas through the use of supply agreements and safety stock for strategically important components. Nevertheless, if Garmin's supply of a key single-sourced component for a new or existing product was delayed or constrained, if such components were available only at significantly higher prices, or if a key manufacturing vendor delayed shipments of completed products to Garmin, Garmin's financial condition and operating results could be materially adversely affected. Garmin's business and financial performance could also be adversely affected depending on the time required to obtain sufficient quantities from the original source, or to identify and obtain sufficient quantities from an alternative source. Continued availability of these components at acceptable prices, or at all, may be affected if those suppliers decided to concentrate on the production of common components instead of components customized to meet Garmin's requirements.

## **Seasonality**

Our net sales are subject to seasonal fluctuation. Sales of our consumer products are generally higher in the fourth quarter, due to increased demand during the holiday buying season, and, to a lesser extent, the second quarter, due to increased demand during the spring and summer season. Sales of consumer products are also influenced by the timing of the release of new products. Our aviation and auto OEM products do not experience much seasonal variation, but are more influenced by the timing of aircraft certifications and the release of new products when the initial demand is typically the strongest.

## **Backlog**

There is a relatively short cycle between order and shipment. Therefore, we believe that backlog information is not material to the understanding of our business. We typically ship most orders within 72 hours of receipt.

## **Intellectual Property**

Our success and ability to compete is dependent in part on our proprietary technology. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as confidentiality agreements, to establish and protect our proprietary rights. In addition, Garmin often relies on licenses of intellectual property for use in its business. For example, Garmin obtains licenses for digital cartography technology for use in our products from various sources.

As of January 10, 2019, Garmin has been issued over 1,170 patents throughout the world and holds more than 800 trademark registrations. The duration of patents varies in accordance with the provisions of applicable local law. We believe that our continued success depends on the intellectual skills of our employees and their ability to continue to innovate. Garmin will continue to file and prosecute patent applications when appropriate to attempt to protect Garmin's rights in its proprietary technologies.

There is no assurance that our current patents, or patents which we may later acquire, may successfully withstand any challenge, in whole or in part. It is also possible that any patent issued to us may not provide us with any competitive advantages, or that the patents of others will preclude us from manufacturing and marketing certain products. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity.

## **Regulations**

The telecommunications industry is highly regulated, and the regulatory environment in which Garmin operates is subject to change. In accordance with the United States' Federal Communications Commission (FCC) rules and regulations, wireless transceiver products are required to be certified by the FCC and comparable authorities in foreign countries where they are sold. Garmin's products sold in Europe are required to comply with relevant directives of the European Commission. A delay in receiving required certifications for new products, or enhancements to Garmin's products, or losing certification for Garmin's existing products could adversely affect our business. In addition, aviation products that are intended for installation in "type certificated aircraft" are required to be certified by the FAA, its European counterpart, the European Aviation Safety Agency, and other comparable organizations before they can be used in an aircraft.

Because Garmin Corporation, one of the Company's principal subsidiaries, is located in Taiwan, foreign exchange control laws and regulations of Taiwan with respect to remittances into and out of Taiwan may have an impact on Garmin's operations. The Taiwan Foreign Exchange Control Statute, and regulations thereunder, provides that all foreign exchange transactions must be executed by banks designated to handle such business by the Ministry of Finance of Taiwan and by the Central Bank of the Republic of China (Taiwan), also referred to as the CBC. Current



regulations favor trade-related foreign exchange transactions. Consequently, foreign currency earned from exports of merchandise and services may now be retained and used freely by exporters, while all foreign currency needed for the import of merchandise and services may be purchased freely from the designated foreign exchange banks. Aside from trade-related foreign exchange transactions, Taiwan companies and residents may, without foreign exchange approval, remit outside and into Taiwan foreign currencies of up to \$50 million and \$5 million respectively, or their equivalent, each calendar year. Currency conversions within the limits are processed by the designated banks and do not have to be reviewed and approved by the CBC. The above limits apply to remittances involving a conversion between Taiwan Dollars and U.S. Dollars or other foreign currencies. The CBC typically approves foreign exchange in excess of the limits if a party applies with the CBC for review and presents legitimate business reasons justifying the currency conversion. A requirement is also imposed on all enterprises to register all medium and long-term foreign debt with the CBC.

## **Environmental Matters**

Garmin's operations are subject to various environmental laws, including laws addressing air and water pollution and management of hazardous substances and wastes. Substantial noncompliance with applicable environmental laws could have a material adverse effect on our business. Capital expenditures for environmental controls are included in our normal capital budget.

Environmental regulation of Garmin's products is increasing. Many of Garmin's products are subject to laws relating to the chemical and material composition of our products and their energy efficiency. Garmin is also subject to laws requiring manufacturers to be financially responsible for collection, recovery and recycling of wastes from certain electronic products. Compliance with current environmental laws does not have a material impact on our business, but the impact of future enactment of environmental laws cannot yet be fully determined and could be substantial.

Garmin has implemented multiple Environmental Management System (EMS) policies in accordance with the International Organization for Standardization (ISO) 14001 standard for Environmental Health and Safety Management. Garmin's EMS policies set forth practices, standards, and procedures to ensure compliance with applicable environmental laws and regulations at Garmin's Kansas headquarters facility, Garmin's European headquarters facility, and Garmin's Taiwan and China manufacturing facilities.

Garmin continues to strive to reduce our carbon footprint by increasing our environmental sustainability efforts. Our manufacturing locations have implemented increased recycling processes that keep all obsolete Garmin manufactured material from entering the waste stream. Additionally, our new facility in Olathe, Kansas has been constructed with energy efficient considerations, including reduced water consumption, LED lighting, and reflective roofing to deflect solar radiation.

## **Employees**

As of December 29, 2018, Garmin had approximately 13,000 full and part-time employees worldwide, of whom approximately 5,000 were in North America, 5,300 were in Taiwan, 1,600 were in Europe, and 1,100 were in other global locations. Except for some of Garmin's employees in Sweden, none of Garmin's employees are represented by a labor union and none of Garmin's North American or Taiwan employees are covered by a collective bargaining agreement. Garmin considers its employee relations to be positive.

## Item 1A. Risk Factors

*The risks described below are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations. If any of the following risks occur, our business, financial condition or operating results could be materially adversely affected.*

### **Risks Related to the Company**

**If we are not successful in the continued development, timely manufacture, and introduction of new products or product categories, demand for our products could decrease to the extent that lost sales and profits from declining segments or product categories are not entirely offset.**

We expect that a significant portion of our future revenue will continue to be derived from sales of newly introduced products. This is particularly important to replace sales and profits lost in declining segments or product categories. The market for our products is characterized by rapidly changing technology, evolving industry standards and changes in customer needs. If we fail to introduce new products, or to modify or improve our existing products, in response to changes in technology, industry standards or customer needs, our products could rapidly become less competitive or obsolete. We must continue to make significant investments in research and development in order to continue to develop new products, enhance existing products and achieve market acceptance for such products. However, there can be no assurance that development stage products will be successfully completed or, if developed, will achieve significant customer acceptance.

If we are unable to successfully develop and introduce competitive new products, and enhance our existing products, our future results of operations would be adversely affected. Our pursuit of necessary technology may require substantial time and expense. We may need to license new technologies to respond to technological change. These licenses may not be available to us on terms that we can accept or may materially change the gross profits that we are able to obtain on our products. We may not succeed in adapting our products to new technologies as they emerge. Development and manufacturing schedules for technology products are difficult to predict, and there can be no assurance that we will achieve timely initial customer shipments of new products. The timely availability of these products in volume and their acceptance by customers are important to our future success. Any future challenges related to new products, whether due to product development delays, manufacturing delays, lack of market acceptance, delays in regulatory approval, or otherwise, could have a material adverse effect on our results of operations.

**If we are unable to compete effectively with existing or new competitors, our resulting loss of competitive position could result in price reductions, fewer customer orders, reduced margins and loss of market share.**

The markets for many of our products are highly competitive, and we expect competition to increase in the future. Some of our competitors have significantly greater financial, technical and marketing resources than we do. These competitors may be able to respond more rapidly to new or emerging technologies or changes in customer requirements. They may also be able to devote greater resources to the development, promotion and sale of their products or secure better product positioning with retailers. Increased competition could result in price reductions, fewer customer orders, reduced margins and loss of market share. Our failure to compete successfully against current or future competitors could seriously harm our business, financial condition and results of operations.

**Maturation or contraction of the market for wearable devices or categories of devices could adversely affect our revenue and profits.**

We have experienced growth in sales and profits in our outdoor and fitness segments, which in recent years have benefited from increased sales of wearable devices. If the overall wearable device market declines, or categories of devices within the wearable device market decline significantly, our business, financial condition or operating results could be materially adversely affected.

**Our annual and quarterly financial statements will reflect fluctuations in foreign currency translation.**

The operation of our subsidiaries in international markets results in exposure to movements in currency exchange rates. We have experienced significant foreign currency gains and losses due to the strengthening and weakening of the U.S. Dollar relative to certain other currencies. The potential of volatile foreign exchange rate fluctuations in the future could have a significant effect on our results of operations. We have not historically hedged our foreign currency exchange rate risks.

The currencies that typically create a majority of our exchange rate exposure are the Taiwan Dollar, Euro, and British Pound Sterling. The Taiwan Dollar is the functional currency of Garmin Corporation, the U.S. Dollar is the functional currency of Garmin (Europe) Ltd., and the Euro is the functional currency of most of our other European subsidiaries, although some transactions and balances are denominated in British Pounds. Other legal entities primarily use the local currency as the functional currency. Due to the relative size of entities using a functional currency other than the Taiwan Dollar, Euro, and British Pound Sterling, fluctuations of other currencies are not expected to have a material impact on our financial statements.

We translate income and expense activity at the approximate rate of exchange at the transaction date, and all assets and liabilities at the rate of exchange in effect at the balance sheet date. Income and expense activity in a currency other than the U.S. Dollar can be impacted by exchange rate variations over time. The majority of our consolidated foreign currency gain or loss is typically driven by exchange rate impacts on the significant cash, receivables, and payables held in a currency other than the functional currency at a given legal entity. Such gain or loss will create variations in our earnings per share. However, because there is minimal cash impact caused by such exchange rate variations, management will continue to focus on our operating performance before the impact of foreign currency gains and losses.

**Changes in applicable tax laws or resolutions of tax disputes could result in adverse tax consequences to the Company.**

Our tax position could be adversely impacted by changes to tax laws, tax treaties, or tax regulations or the interpretation or enforcement thereof by any tax authority in which we file income tax returns. We cannot predict the outcome of any specific legislative proposals. Legislative proposals are being considered in Switzerland that could make significant changes in the corporate tax regime and increase the taxes applicable to us in Switzerland. Switzerland has agreed with the European Union (EU) to execute tax reform by 2019 in exchange for the EU's waiver of counter-measures. A failure to accomplish tax reform in the agreed timeframe may result in the EU member states reasserting counter-measure provisions which could result in additional tax for the Company.

Moreover, international taxing standards continue to evolve as a result of the Organization for Economic Co-Operation and Development (OECD) recommendations aimed at preventing perceived base erosion and profit shifting by multinational corporations. While these recommendations are not changes to tax law, the countries where we operate may implement legislation or take unilateral actions which may result in adverse effects to our income tax provision and financial statements.

Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our income tax provision, net income or cash flows in the period or periods for which that determination is made.

**Changes to trade regulations, including trade restrictions, sanctions, or tariffs, could significantly harm our results of operations.**

A significant portion of our global and U.S. sales are comprised of goods assembled and manufactured in our facilities in Taiwan and the People's Republic of China, and components for a number of our goods are sourced

from suppliers in the People's Republic of China. The imposition of additional U.S. or foreign governmental controls, regulations that create new or enhanced restrictions on free trade, trade sanctions, or tariffs, particularly those applicable to goods imported from Taiwan or the People's Republic of China, could have substantial adverse effects on our business, results of operations, and financial condition.

**Economic, regulatory, and political conditions and uncertainty could adversely affect our revenue and profits.**

Our revenue and profits depend significantly on general economic conditions and the demand for products in the markets in which we compete. We have international operations which make up a significant portion of our total revenue, which can present challenges depending on economic and geopolitical conditions on both a global and regional scale. Economic weakness or constrained consumer and business spending has resulted in periods of decreased revenue and in the future, could result in decreased revenue and problems with our ability to manage inventory levels and collect customer receivables. In addition, financial difficulties experienced by our retailers and OEM customers have resulted, and could result in the future, in significant bad debt write-offs and additions to reserves in our receivables and could have an adverse effect on our results of operations. Uncertainty in the geopolitical climate could create trade disputes or increased tariffs which could adversely affect our results of operations.

**The auto segment, which represents approximately 19% of our revenue, is expected to continue to decline in 2019. The demand for personal navigation devices (PNDs) has been and continues to be reduced by replacement technologies becoming available on mobile devices and factory-installed systems in new autos, as well as by market saturation.**

We experienced substantial growth through 2008 in the auto segment of our business as PNDs became mass-market consumer electronics in both Europe and North America. This market is declining as competing technologies emerged and market saturation occurred. GPS/navigation technologies have been incorporated into competing devices such as mobile handsets, tablets, and new automobiles through factory-installed systems. Many companies are now offering navigation software for these mobile devices. The acceptance of this technology by consumers has reduced sales in the auto segment and has reduced profits in some periods. Navigation systems are also becoming more prevalent as standard and/or optional equipment on new automobiles. Increased navigation penetration on mobile handsets and in new automobiles is expected to cause further declines in sales of our portable navigation devices and could further reduce profits.

**The United Kingdom (UK) is scheduled to formally leave the European Union (EU) on March 29, 2019. The effects of the UK's withdrawal from the EU are not yet known and the uncertainty creates challenges and risks which could have a material effect on our business and results of operations.**

The United Kingdom (UK) held a referendum in June 2016 where a majority vote was reached supporting the UK withdrawal from the European Union (EU), commonly referred to as "Brexit". Brexit is currently scheduled to occur on March 29, 2019. The UK and EU have had ongoing negotiations with respect to the UK's withdrawal terms, however, there is continued uncertainty surrounding the future relationship between the UK and EU. Barring an approved agreement by Parliament, the UK will exit the EU on March 29, 2019 without a transition plan. If the UK withdraws from the EU without a transition plan, the UK would lose its tariff-free trade status with other EU members and create customs border issues. Increased tariffs would apply to both goods imported to and exported from the UK. The long-term risks of Brexit include economic recessions in the UK and in other European markets, raising concerns over currency stability for both the British Pound Sterling and the Euro. There is risk that other current EU member states may also consider withdrawal from the EU depending on the EU economy following Brexit, which would increase the long-term risk of economic recessions in European markets and could result in further currency instability for the Euro.

We have operations in the UK, including offices and a distribution facility, and several EU member states and therefore Brexit will impact our operations. We have certain measures in place to reduce the impact to our business operations, however, risks such as slow or inefficient border clearance, prolonged economic recession, and currency fluctuations could have material adverse effects on our business operations, results of operations, and

financial condition. As noted in our other risk factors, currency volatility of the British Sterling Pound and Euro could have significant effects on our results of operations. If a deal is reached between the UK and the EU, the impacts of Brexit would have a lesser impact to our financial condition and business operations. Given the number of different outcomes still possible, including delaying the exit or holding a second referendum, the impacts of Brexit are difficult to determine until specific terms of the withdrawal are reached.

**If we do not correctly anticipate demand for our products, we may not be able to secure sufficient quantities or cost-effective production of our products or we could have costly excess production or inventories.**

We have generally been able to increase or decrease production to meet fluctuations in demand. However, the demand for our products depends on many factors and may be difficult to forecast. We expect that it will become more difficult to forecast demand as we introduce and support a diverse product portfolio, as competition in the market for our products intensifies and as the markets for some of our products mature. Significant unanticipated fluctuations in demand could cause the following problems in our operations:

- If demand increases beyond what we forecast, we would have to rapidly increase production. We would depend on suppliers to provide additional volumes of components and those suppliers might not be able to increase production rapidly enough to meet unexpected demand.
- Rapid increases in production levels to meet unanticipated demand could result in higher costs for manufacturing and supply of components and other expenses. These higher costs could lower our profit margins. Further, if production is increased rapidly, manufacturing quality could decline, which may also lower our margins and reduce customer satisfaction.
- If forecasted demand does not develop, we could have excess inventories of finished products and components, which would use cash and could lead to write-offs of some or all of the excess inventories. Lower than forecasted demand could also result in excess manufacturing capacity or reduced manufacturing efficiencies at our facilities, which could result in lower margins.

**We depend on third party suppliers and licensors, some of which are sole source, for specific components and map data used in our products. Our production and business would be seriously harmed if these suppliers are not able to meet our demand and alternative sources are not available, or if the costs of components rise.**

We are dependent on third party suppliers for various components used in our current products. Some of the components that we procure from third party suppliers include semiconductors and electroluminescent panels, liquid crystal displays, memory chips, batteries and microprocessors. The cost, quality and availability of components are essential to the successful production and sale of our products. Some components we use are from sole source suppliers. Certain application-specific integrated circuits incorporating our proprietary designs are manufactured for us by sole source suppliers. Alternative sources may not be currently available for these sole source components.

In the past, we have experienced shortages of certain components. In addition, if there are shortages in supply of components, the costs of such components may rise. If suppliers are unable to meet our demand for components on a timely basis and if we are unable to obtain an alternative source, or if the price of the alternative source is prohibitive, our ability to maintain timely and cost-effective production of our products would be seriously harmed.

We are also dependent on third party licensors for digital mapping data used in our products. There are only a limited number of suppliers of mapping data for some of our products and geographical regions. The largest digital map supplier for our auto products is HERE (formerly known as NAVTEQ), which is majority-owned by a consortium of Daimler AG, BMW AG, and Audi AG. Although we do not foresee difficulty in continuing to license data from HERE at reasonable pricing due to a long term license agreement with an option to extend through 2028, if we are unable to continue licensing such mapping data from HERE and other primary suppliers and are unable to

obtain an alternative source, or if the nature of our relationships with primary suppliers changes detrimentally, our ability to supply mapping data for use in our products would be seriously harmed.

**Our intellectual property rights are important to our operations, and we could suffer loss if they infringe upon other's rights or are infringed upon by others.**

We rely on a combination of patents, copyrights, trademarks and trade secrets, confidentiality provisions and licensing arrangements to establish and protect our proprietary rights. To this end, we hold rights to a number of patents and registered trademarks and regularly file applications to attempt to protect our rights in new technology and trademarks. However, there is no guarantee that our patent applications will become issued patents, or that our trademark applications will become registered trademarks. In addition, effective copyright, patent and trade secret protection may be unavailable, limited or not applied for in certain countries. Moreover, even if approved, our patents or trademarks may thereafter be successfully challenged by others or otherwise become invalidated for a variety of reasons. Thus, any patents or trademarks we currently have or may later acquire may not provide us a significant competitive advantage.

The value of our products relies substantially on our technical innovation in fields in which there are many patent filings. Third parties may claim that we or our customers (some of whom are indemnified by us) are infringing their intellectual property rights. For example, individuals and groups may purchase intellectual property assets for the purpose of asserting claims of infringement and attempting to extract settlements from us or our customers. The number of these claims has increased in recent years and may continue to increase in the future. Such claims could have a material adverse effect on our business and financial condition. From time to time we receive letters alleging infringement of patents, trademarks or other intellectual property rights and we have been, and currently are, a defendant in lawsuits alleging patent infringement. Litigation concerning patents or other intellectual property is costly and time consuming. We may seek licenses from such parties, but they could refuse to grant us a license or demand commercially unreasonable terms. Such infringement claims could also cause us to incur substantial liabilities and to suspend or permanently cease the use of critical technologies or processes or the production or sale of major products.

**We may become subject to significant product liability costs.**

If our products malfunction or contain errors or defects, we could be subject to significant liability for personal injury and property damage and, under certain circumstances, could be subject to a judgment for punitive damages. We maintain insurance against accident-related risks involving our products. However, there can be no assurance that such insurance would be sufficient to cover the cost of damages to others or that such insurance will continue to be available at commercially reasonable rates. In addition, insurance coverage may not cover awards of punitive damages and may not cover the cost of associated legal fees and defense costs, which could result in lower margins. If we are unable to maintain sufficient insurance to cover product liability costs or if our insurance coverage does not cover the award, this could have a materially adverse impact on our business, financial condition and results of operations.

**We have claims and lawsuits against us that may result in adverse outcomes.**

We are subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. Litigation and other claims are subject to inherent uncertainties and the outcomes can be difficult to predict. Management may not adequately reserve for a contingent liability, or we may suffer unforeseen liabilities, which could then impact the results of a financial period. A material adverse impact on our consolidated financial statements could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable which, if not expected, could harm our results of operations and financial condition.

**Our products may contain undetected security vulnerabilities, which could result in damage to our reputation, lost revenue, diverted development resources and increased warranty claims, and litigation**

Undiscovered vulnerabilities in our products could expose them to hackers or other unscrupulous third parties who develop and deploy viruses, and other malicious software programs that could attack our products. Actual or perceived security vulnerabilities in our products could harm our reputation and lead some customers to return products, to reduce or delay future purchases or use competitive products.

**We collect, store, process, and use personal information and other customer data, which subjects us to governmental regulation and other legal obligations related to privacy, information security, and data protection, and our actual or perceived failure to comply with such obligations could harm our business.**

We collect, store, process, and use personal information and other user data. Our users' personal information may include, among other information, names, addresses, phone numbers, email addresses, payment account information, height, weight, age, gender, heart rates, sleeping patterns, GPS-based location, and activity patterns. Due to the volume and types of the personal information and data we manage and the nature of our products and applications, the security features of our platform and information systems are critical. If our security measures or applications are breached, disrupted or fail, unauthorized persons may be able to obtain access to user data. If we or our third-party service providers, business partners, or third-party apps with which our users choose to share their Garmin data were to experience a breach, disruption or failure of systems compromising our users' data or the media suggested that our security measures or those of our third-party service providers were insufficient, our brand and reputation could be adversely affected, use of our products and services could decrease, and we could be exposed to a risk of loss, litigation, and regulatory proceedings. Depending on the nature of the information compromised, in the event of a data breach, disruption or other unauthorized access to our user data, we may also have obligations to notify users about the incident and we may need to provide some form of remedy for the individuals affected by the incident. A growing number of legislative and regulatory bodies have adopted consumer notification requirements in the event of unauthorized access to or acquisition of certain types of personal data. Such breach notification laws continue to evolve and may be inconsistent from one jurisdiction to another. Complying with these obligations could cause us to incur substantial costs and could increase negative publicity surrounding any incident that compromises user data. Our users may also accidentally disclose or lose control of their passwords, creating the perception that our systems or those of our third-party service providers are not secure against third-party access. Additionally, if third parties we work with, such as vendors, business partners, service providers, or developers, violate applicable laws, agreements, or our policies, such violations may also put our users' information at risk and could in turn have an adverse effect on our business. While we maintain insurance coverage that, subject to policy terms and conditions and a significant self-insured retention, is designed to address certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise in the continually evolving area of cyber risk.

Regulatory authorities and legislative bodies around the world, including in the United States, have enacted or are considering a number of legislative and regulatory proposals concerning data protection. In May 2018, the General Data Protection Regulation (GDPR), a new data protection regulation, went into effect in the EU. Noncompliance with GDPR could result in significant fines and penalties. In addition, the interpretation and application of consumer and data protection laws in the U.S., Europe, Asia, Latin America, and elsewhere are sometimes uncertain and in flux. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our interpretation and data practices. If so, in addition to the possibility of fines, this could result in an order requiring that we change our data practices, which could have an adverse effect on our business and results of operations. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

**We rely on information technology systems for our business operations. Failures or disruptions, including security breaches or cyber attacks, to our information technology systems may harm our reputation and adversely affect our business and result of operations.**

Our information technology systems allow for our daily business operations to operate efficiently and

effectively. These systems assist in our business processes, including, but not limited to, communications, financial management, supply chain management, order processing, shipping and billing and providing services and support to our customers. Additionally, we electronically maintain sensitive data, including intellectual property, our proprietary business information and that of our customers and suppliers, and some personally identifiable information of our customers and employees, in our facilities and on our networks. The secure processing, maintenance and transmission of this information is important to our operations. A disruption to any of these processes can adversely affect our business and results of operations. Furthermore, a breach of our security systems and procedures or those of our vendors could result in significant data losses or theft of our intellectual property as well as our customers' or our employees' intellectual property, proprietary business information or personally identifiable information. A cybersecurity breach could negatively affect our competitive position and operating results as a result of theft of our intellectual property and could negatively affect our reputation as a trusted product and service provider by adversely affecting the market's perception of the security or reliability of our products or services.

We have technology and processes in place to detect and respond to data security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities through fraud, trickery or other forms of deceiving our customers and employees. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, or if such measures are implemented, and even with appropriate training conducted in support of such measures, human errors may still occur. It is virtually impossible for us to entirely mitigate this risk. A party, whether internal or external, who is able to circumvent our security measures could misappropriate information.

Actual or anticipated attacks and risks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, to conduct additional employee training, and to engage third party security experts and consultants. Our technology errors and omissions insurance may not protect against all of the costs, liabilities, and other adverse effects arising from a security breach or system failure. If we fail to reasonably maintain the security of confidential information, we may suffer significant reputational and financial losses and our results of operations, cash flows, financial condition, and liquidity may be adversely affected. In addition, a system breach could result in other negative consequences, including disruption of internal operations, and may subject us to private litigation, government investigations, enforcement actions, and cause us to incur potentially significant liability, damages, or remediation costs.

**Gross margins for our products may fluctuate or erode.**

Gross margins in some of our segments are volatile and could decline in the future due to competitive price reductions that are not fully offset by material cost reductions. In addition, our overall gross margin may fluctuate from period to period due to a number of factors, including product mix, competition and unit volumes. In particular, the average selling prices of a specific product tend to decrease over that product's life. To offset such decreases, we intend to rely primarily on component cost reduction, obtaining yield improvements and corresponding cost reductions in the manufacturing of existing products and on introducing new products that incorporate advanced features and therefore can be sold at higher average selling prices. However, there can be no assurance that we will be able to obtain any such yield improvements or cost reductions or introduce any such new products in the future. To the extent that such cost reductions and new product introductions do not occur in a timely manner or our products do not achieve market acceptance, our business, financial condition and results of operations could be materially adversely affected.

**We may experience unique economic and political risks associated with companies that operate in Taiwan.**

Our principal manufacturing facilities, where we manufacture most of our consumer products, are located in Taiwan. Relations between Taiwan and the People's Republic of China, also referred to as the PRC, and other



factors affecting the political or economic conditions of Taiwan in the future could materially affect our business, financial condition and results of operations and the market price and the liquidity of our shares.

The PRC asserts sovereignty over all of China, including Taiwan, certain other islands and all of mainland China. The PRC government does not recognize the legitimacy of the Taiwan government. Although significant economic and cultural relations have been established during recent years between Taiwan and the PRC, the PRC government has indicated that it may use military force to gain control over Taiwan in certain circumstances, such as the declaration of independence by Taiwan. The United States' relations with Taiwan are governed by the 1979 Taiwan Relations Act, which signifies when the U.S. switched diplomatic recognition from Taiwan to the PRC, referred to as the "one-China" policy. Deviations from the "one-China" policy could lead to adverse changes in China-U.S. and China-Taiwan relations and could adversely affect our operations in Taiwan in the future.

**Changes in our United States federal income tax classification, or that of our subsidiaries, could result in adverse tax consequences to our 10% or greater U.S. shareholders.**

The Tax Cuts and Jobs Act (the "2017 Act") signed on December 22, 2017 may have changed the consequences to U.S. shareholders that own, or are considered to own, as a result of the attribution rules, ten percent or more of the voting power or value of the stock of a non-U.S. corporation (a 10% U.S. shareholder) under the U.S. Federal income tax law applicable to owners of U.S. controlled foreign corporations ("CFCs").

Prior to the 2017 Act, the Company did not believe we, or any of our non-U.S. subsidiaries, were considered a CFC, which is a determination made daily based on whether the 10% U.S. shareholders together own, or are considered to own as a result of the attribution rules, more than fifty percent of the voting power or value of a non-U.S. corporation. The 2017 Act repealed Internal Revenue Code Section 958(b)(4), which, unless clarified in future regulations or other guidance, may result in classification of certain of the Company's foreign subsidiaries as CFCs with respect to any single 10% U.S. shareholder. This may be the result without regard to whether 10% U.S. shareholders together own, directly or indirectly, more than fifty percent of the voting power or value of the Company as was the case under prior rules. The repeal is effective as of the last taxable year of CFCs beginning before January 1, 2018 and for the taxable year of 10% U.S. shareholders in which the CFCs' taxable year ends.

Additional tax consequences to 10% U.S. shareholders of a CFC may result from other provisions of the 2017 Act. For example, the 2017 Act amended Section 965 to require 10% U.S. shareholders to include in income their pro-rata share of certain earnings and profits (E&P) of CFCs. This Section 965 inclusion is accompanied by a partial dividends-received deduction. The 2017 Act also added Section 951A which requires a 10% U.S. shareholder of a CFC to include in income its pro-rata share of the global intangible low-taxed income (GILTI) of the CFC. Finally, the 2017 Act eliminated the requirement in Section 951(a) necessitating that a foreign corporation be considered a CFC for an uninterrupted period of at least 30 days in order for a 10% U.S. shareholder to have a current income inclusion.

From time to time, the Company may elect to employ antidilutive measures such as a stock buyback program. These measures could inadvertently create additional 10% U.S. shareholders and thus trigger adverse tax consequences for those shareholders as described above. We urge shareholders to consult their individual tax advisers for advice regarding the 2017 Act revisions to the U.S. Federal income tax law applicable to owners of CFCs given the current uncertainty regarding their scope of applicability.

**Some of our products are subject to governmental regulation or certification. Failure to obtain required certifications of our products on a timely basis, either due to government shutdown or other delays in the certification process, could harm our business.**

Federal Aviation Administration (FAA) certification is required for all of our aviation products that are intended for installation in type-certificated aircraft. To the extent required, certification is an expensive and time-consuming process that requires significant focus and resources. An inability to obtain, or excessive delay in obtaining, such certifications could have an adverse effect on our ability to introduce new products and, for certain aviation OEM products, our customers' ability to sell airplanes. Delays in our obtaining certification for our aviation products have resulted, and may in the future result in our being required to pay compensation to our customers.

Additionally, failure of the United States Congress to appropriate funds for FAA operations that results in a shut down of FAA operations or furloughing of FAA employees, due to partial or complete government shutdowns or otherwise, could result in delays in the required FAA certification of our avionics products and in the production, sale and registration of aircraft that use our avionics products. Therefore, such inabilities or delays could have a material adverse effect on our business and financial results. In addition, we cannot assure that our certified products will not be decertified. Any such decertification could have an adverse effect on our operating results.

In addition, in accordance with FCC rules and regulations, wireless transceiver products are required to be certified by the FCC in the United States and comparable authorities in foreign countries where they are sold. Garmin's products sold in Europe are required to comply with relevant directives of the European Commission. A delay in receiving required certifications for new products, or enhancements to Garmin's products, or losing certification for Garmin's existing products could adversely affect our business.

**Our business may suffer if we are not able to hire and retain sufficient qualified personnel or if we lose our key personnel.**

Our future success depends partly on the continued contribution of our key executive, engineering, sales, marketing, manufacturing and administrative personnel. We currently do not have employment agreements with any of our key executive officers. Swiss law prohibits us from paying severance payments to our senior executive officers, which may impair our ability to recruit for these positions. We do not have key person life insurance on any of our key executive officers and do not currently intend to obtain such insurance. The loss of the services of any of our senior level management, or other key employees, could harm our business. Recruiting and retaining the skilled personnel we require to maintain and grow our market position may be difficult. For example, in some recent years there has been a nationwide shortage of qualified engineers in the United States who are necessary for us to design and develop new products, and therefore, it has sometimes been challenging to recruit such personnel. If we fail to hire and retain qualified employees, we may not be able to maintain and expand our business.

**Our quarterly operating results are subject to fluctuations and seasonality.**

Our operating results are difficult to predict. Our future quarterly operating results may fluctuate significantly. If such operating results decline, the price of our stock could decline. As we have expanded our operations, our operating expenses, particularly our research and development costs, have increased as a percentage of our sales in some periods. If revenues decrease and we continue to increase research and development costs, our operating results would be negatively affected.

Historically, our revenues have been weaker in the first quarter of each fiscal year as many of our devices are highly consumer-oriented, and consumer buying is traditionally lower in this quarter. Sales of certain of our fitness, outdoor, marine and automotive products tend to be higher in our second fiscal quarter due to increased consumer spending for such products in the spring season and travel season. Sales of many of our consumer products also have been higher in our fourth fiscal quarter due to increased consumer spending patterns on electronic devices during the holiday season. In addition, we attempt to time our new product releases to coincide with relatively higher consumer spending in the second and fourth fiscal quarters, which contributes to these seasonal variations.

**We rely on independent dealers and distributors to sell our products, and disruption to these channels would harm our business.**

Because we sell many of our products to independent dealers and distributors, we are subject to many risks, including risks related to their inventory levels and support for our products. In particular, our dealers and distributors maintain significant levels of our products in their inventories. If dealers and distributors attempt to reduce their levels of inventory or if they do not maintain sufficient levels to meet customer demand, our sales could be negatively impacted.

Many of our dealers and distributors also sell products offered by our competitors. If our competitors offer our dealers and distributors more favorable terms, those dealers and distributors may de-emphasize or decline to carry our products. In the future, we may not be able to retain or attract a sufficient number of qualified dealers and distributors. If we are unable to maintain successful relationships with dealers and distributors or to expand our distribution channels, our business will suffer.

**We may pursue strategic acquisitions, investments, strategic partnerships or other ventures, and our business could be materially harmed if we fail to successfully identify, evaluate, complete, and integrate such transactions.**

We intend to evaluate acquisition opportunities and opportunities to make investments in complementary businesses, technologies, services or products, or to enter into strategic partnerships with parties who can provide access to those assets, additional product or services offerings, additional distribution or marketing synergies or additional industry expertise. We may not be able to identify suitable acquisition, investment or strategic partnership candidates, or if we do identify suitable candidates in the future, we may not be able to complete those transactions on commercially favorable terms, or at all.

Any past or future acquisition could also result in difficulties assimilating acquired employees, operations, and products and diversion of capital and management's attention away from other business issues and opportunities. Integration of acquired companies may result in problems related to integration of technology and inexperienced management teams. Due diligence performed prior to closing acquisitions may not uncover certain risks or liabilities that could materially impact our business and financial results. In addition, the key personnel of the acquired company may decide not to work for us. We may not successfully integrate internal controls, compliance under the Sarbanes-Oxley Act of 2002, the GDPR and other corporate governance and regulatory matters, operations, personnel or products related to acquisitions we may make in the future. If we fail to successfully integrate such transactions, our business could be materially harmed.

**There is uncertainty as to our shareholders' ability to enforce certain foreign civil liabilities in Switzerland and Taiwan.**

We are a Swiss company and a substantial portion of our assets are located outside the United States, particularly in Taiwan. As a result, it may be difficult to effect service of process within the United States upon us. In addition, there is uncertainty as to whether the courts of Switzerland or Taiwan would recognize or enforce judgments of United States courts obtained against us predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or be competent to hear original actions brought in Switzerland or Taiwan against us predicated upon the securities laws of the United States or any state thereof.

**Many of our products rely on the Global Positioning System and other Global Satellite Navigation Systems (GNSS).**

The Global Positioning System (GPS) is a satellite-based navigation and positioning system consisting of a constellation of orbiting satellites. The satellites and their ground control and monitoring stations are maintained and operated by the United States Department of Defense. The Department of Defense does not currently charge users for access to the satellite signals. These satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The satellites were originally designed to have lives of 7.5 years and are subject to damage by the hostile space environment in which they operate. However, of the current deployment of satellites in place, some have been operating for more than 20 years.

To repair damaged or malfunctioning satellites is currently not economically feasible. If a significant number of satellites were to become inoperable, there could be a substantial delay before they are replaced with new satellites. A reduction in the number of operating satellites may impair the current utility of the GPS system and the growth of current and additional market opportunities. GPS satellites and ground control segments are being modernized. GPS modernization software updates can cause problems. We depend on public access to open technical specifications in advance of GPS updates.

GPS is operated by the U.S. Government, which is committed to maintenance and improvement of GPS; however, if the policy were to change, and GPS were no longer supported by the U.S. Government, or if user fees were imposed, it could have a material adverse effect on our business, results of operations, and financial condition.

Some of our products also use signals from Satellite Based Augmentation Systems (SBAS) that augment GPS, such as the U.S. Wide Area Augmentation System (WAAS), Japanese MTSAT-based Satellite Augmentation System (MSAS), and European Geostationary Navigation Overlay Service (EGNOS). Any curtailment of SBAS operating capability could result in decreased user capability for many of our aviation products, thereby impacting our markets.

Some of our products also use satellite signals from the Russian GLONASS System. Other countries, including China and India, are in the process of creating their own GNSS systems, and we either have developed or will develop products which use GNSS signals from these systems. The European community is developing an independent radio navigation satellite system, known as Galileo. National or European authorities may provide preferential access to signals to companies associated with their markets, including our competitors, which could harm our competitive position. Use of non-US GNSS signals may also be subject to FCC waiver requirements and to restrictions based upon international trade or geopolitical considerations. If we are unable to develop timely and competitive commercial products using these systems, or obtain timely and equal access to service signals, it could result in lost revenue.

Any of the foregoing factors could affect the willingness of buyers of our products to select Global Positioning System-based products instead of products based on competing technologies.

**Our business is subject to disruptions and uncertainties caused by geopolitical instability, war or terrorism.**

Acts of war or acts of terrorism, especially any directed at the GPS signals, could have a material adverse impact on our business, operating results, and financial condition. The threat of terrorism and war and heightened security and military response to this threat, or any future acts of terrorism, may cause a redeployment of the satellites used in GPS or interruptions of the system. To the extent that such interruptions have an effect on sales of our products, this could have a material adverse effect on our business, results of operations, and financial condition.

A shut down of airspace or imposition of restrictions on general aviation would harm our business. The shutdown of airspace could cause reduced sales of our general aviation products and delays in the shipment of our products manufactured in our Taiwan manufacturing facilities to our global distribution facilities, thereby adversely affecting our ability to supply new and existing products to our dealers and distributors.

**Any reallocation or repurposing of radio frequency spectrum could cause harmful interference with the reception of Global Positioning System signals. This interference could harm our business.**

Our Global Positioning System technology is dependent on the use of the Standard Positioning Service (SPS) provided by the U.S. Government's Global Positioning System satellites. The Global Positioning System operates in radio frequency bands that are globally allocated for radio navigation satellite services. International allocations of radio frequency are made by the International Telecommunications Union (ITU), a specialized technical agency of the United Nations. These allocations are further governed by radio regulations that have treaty status and which may be subject to modification every two to three years by the World Radio Communication Conference. Each country also has regulatory authority on how each band is used. In the United States, the FCC and the National Telecommunications and Information Administration (NTIA) share responsibility for radio frequency allocations and spectrum usage regulations.

Any ITU or national reallocation of radio frequency spectrum, including frequency band segmentation or sharing of spectrum, or other modifications of the permitted uses of relevant frequency bands, may materially and adversely affect the utility and reliability of our products and have significant negative impacts on our business and our customers.

### **Natural disasters, catastrophic events, or climate change could affect our financial results.**

Natural disasters and extreme weather events, such as tsunamis or earthquakes, could occur in a region where we have a manufacturing or warehousing facility which would cause disruptions in our business operations or loss of inventory. If our backup and recovery plans are not sufficient to minimize business disruption and/or if our insurance is not sufficient to recover the costs associated with these types of events, our financial results could be adversely affected.

Climate change can also pose a risk to our business due to evolving regulatory and legislative measures surrounding climate change. The Environmental Protection Agency has begun to regulate greenhouse gas emissions under the authority granted to it under the Clean Air Act. At the federal legislative level, Congressional passage of legislation adopting some form of federal mandatory greenhouse gas emission reduction, such as a nationwide cap-and-trade program, does not appear likely at this time, although it could be adopted at a future date. It is also possible that the U.S. Congress may pass alternative climate change bills that do not mandate a nationwide cap-and-trade program and instead focus on promoting renewable energy and energy efficiency, which could increase the cost of doing business.

Because it is uncertain what laws and regulations will be enacted, we cannot predict the potential impact of such laws and regulations on our future consolidated financial condition, results of operations or cash flows.

### ***Risks Relating to Our Shares***

#### **The volatility of our stock price could adversely affect investment in our common shares.**

The market price of our shares has been, and may continue to be, highly volatile. During 2018, the closing price of our shares ranged from a low of \$57.66 to a high of \$70.05. A variety of factors could cause the price of our shares to fluctuate, perhaps substantially, including:

- new products or product enhancements by us or our competitors;
- general conditions in the worldwide economy, including fluctuations in interest rates and global currency exchange rates;
- announcements of technological innovations;
- product obsolescence and our ability to manage product transitions;
- developments in our relationships with our customers and suppliers;
- the availability, pricing and timeliness of delivery of components, such as flash memory and liquid crystal displays, used in our products;
- quarterly fluctuations in our actual or anticipated operating results;
- changes in applicable tax laws and tax rates;
- developments in patents or other intellectual property rights and litigation;
- announcements and rumors of developments related to our business, our competitors, our suppliers or the markets in which we compete;
- research reports or opinions issued by securities analysts or brokerage houses related to Garmin, our competitors, our suppliers or our customers;
- any significant acts of terrorism against the United States, Taiwan or significant markets where we sell our products; and
- other factors as discussed in the previously listed risks.

In addition, in recent years the stock market in general and the markets for shares of technology companies in particular, have experienced extreme price fluctuations which have often been unrelated to the operating performance of affected companies. Any such fluctuations in the future could adversely affect the market price of our common shares.

**Our officers and directors exert substantial influence over us.**

As of January 17, 2019, members of our Board of Directors, and our executive officers, together with members of their families and entities that may be deemed affiliates of or related to such persons or entities, beneficially owned approximately 31.79% of our outstanding shares. Accordingly, these shareholders may be able to determine the outcome of corporate actions requiring shareholder approval, such as mergers and acquisitions and shareholder proposals. This level of ownership may have a significant effect in delaying, deferring, or preventing a change in control of Garmin and may adversely affect the voting and other rights of other holders of our common shares.

**The rights of our shareholders are governed by Swiss law.**

The rights of our shareholders are governed by Swiss law and Garmin Ltd.'s articles of association. The rights of shareholders under Swiss law differ from the rights of shareholders of companies incorporated in other jurisdictions. For example, Swiss law allows our shareholders acting at a shareholders' meeting to authorize share capital that can be issued by the board of directors without approval of a shareholders' meeting, but this authorization is limited to 50% of the existing registered share capital and must be renewed at a shareholders' meeting at least every two years for it to continue to be available. Additionally, subject to specified exceptions, including the exceptions described in our articles of association, Swiss law grants preemptive rights to existing shareholders to subscribe for new issuances of shares and other securities. Swiss law also does not provide as much flexibility in the various terms that can attach to different classes of shares as the laws of some other jurisdictions. Swiss law also reserves for approval by shareholders certain corporate actions over which a board of directors would have authority in some other jurisdictions. For example, Swiss law provides that dividends and other distributions must be approved by shareholders at the general meeting of shareholders. These Swiss law requirements relating to our capital management may limit our flexibility, and situations may arise where greater flexibility would have provided substantial benefits to our shareholders.

**We have limited capital reserves from which to make distributions or repurchase shares without subjecting our shareholders Swiss withholding tax.**

If we are unable to make distributions, if any, through a reduction of par value or to pay dividends, if any, out of qualifying capital contribution reserves, then any dividends paid by us will generally be subject to a Swiss federal withholding tax at a rate of 35%. Over the long term, the amount of par value and qualifying capital contribution reserves available for us to use for par value reductions or dividends will be limited. The withholding tax must be withheld from the gross distribution and paid to the Swiss Federal Tax Administration. A U.S. holder that qualifies for benefits under the Convention between the United States of America and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income may apply for a refund of the tax withheld in excess of the 15% treaty rate (or in excess of the 5% reduced treaty rate for qualifying corporate shareholders with at least 10% participation in our voting stock, or for a full refund in case of qualified pension funds). However, there can be no assurance that our shareholders will approve a reduction in par value or a dividend out of qualifying capital contribution reserves, that we will be able to meet the other legal requirements for a reduction in par value, or that Swiss withholding rules will not be changed in the future or that a change in Swiss law will not adversely affect us or our shareholders, in particular as a result of distributions out of qualifying capital contribution reserves becoming subject to additional corporate law or other restrictions. If we are unable to make a distribution through a reduction in par value or to pay a dividend out of qualifying capital contribution reserves, we may not be able to make distributions without subjecting our shareholders to Swiss withholding taxes.

Under current Swiss tax law, repurchases of shares for the purposes of capital reduction are treated as a partial liquidation subject to 35% Swiss withholding tax on the difference between the par value and the repurchase price. However, the portion of the repurchase price that is attributed to qualifying capital contribution reserves of the shares repurchased will not be subject to the Swiss withholding tax. Therefore, repurchase of our own shares further limits the amount of qualifying capital reserves available for distributions to shareholders free of Swiss withholding taxes. No partial liquidation treatment applies and no withholding tax is triggered if the shares are not repurchased for cancellation but held by us as treasury shares to the extent sufficient qualifying capital reserves are

available. However, should we not resell such treasury shares within six years and there is not sufficient qualifying capital contribution reserves, the withholding tax becomes due at the end of the six-year period.

We may follow a share repurchase process for future share repurchases, if any, similar to a "second trading line" on the SIX Swiss Exchange in which Swiss institutional investors buy shares on the open market and sell these shares to us and are generally able to receive a refund of the Swiss withholding tax. However, if we are unable to use this process successfully, we may not be able to repurchase shares for the purposes of capital reduction without subjecting our shareholders to Swiss withholding taxes if and to the extent that the repurchase of shares is made out of retained earnings or other taxable reserves. No withholding tax would be applicable if and to the extent that qualifying capital contribution reserves are attributable to the share repurchase.

**We have certain limitations on our ability to repurchase and hold our own shares.**

Under Swiss law we have certain limitations on our ability to repurchase and hold our own shares. We and our subsidiaries may only repurchase and hold our own shares to the extent that sufficient freely distributable reserves (including contributed surplus as determined for Swiss tax and statutory purposes) are available. The aggregate par value of our registered shares held by us and our subsidiaries may not exceed 10% of our registered share capital. We may repurchase our registered shares beyond the statutory limit of 10%, however, if our shareholders have adopted a resolution at a general meeting of shareholders authorizing the board of directors to repurchase registered shares in an amount in excess of 10% and the repurchased shares are dedicated for cancellation. Our ability to repurchase and hold our own shares has been a component of our capital management and shareholder return practices, and any restriction on our ability to repurchase our shares could make our stock less attractive to investors.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

Garmin and its subsidiaries own a majority of their principal properties and lease certain other properties. Depending on location, the properties could be used for manufacturing, warehousing, research and development, office space, or a combination. Garmin's principal properties are described below:

Garmin International, Inc. and Garmin USA, Inc. own and occupy facilities of approximately 1,990,000 square feet on approximately 107 acres in Olathe, Kansas, where the majority of product design and development work is conducted, the majority of aviation panel-mount products are manufactured, and products are warehoused, distributed, and supported for North, Central and South America.

Garmin International, Inc. leases 148,000 square feet of land at New Century Airport in Gardner, Kansas under a ground lease and occupies two aircraft hangars on this land, one of which is owned (47,000 square feet) and the other leased (53,000 square feet). Both properties serve as flight test and certification facilities that are used in development and certification of aviation products.

In October 2018, Garmin International, Inc. completed the construction of a new 775,000 square foot manufacturing and distribution center in Olathe, Kansas, which concluded the first phase of an expansion project that began in 2016. The second phase of the expansion will include renovation of the existing warehouse and manufacturing center into a research and development facility and supporting office space. In connection with the bond financings for the facility in Olathe and the expansions of that facility, the City of Olathe holds the legal title to the Olathe facility, which is leased to Garmin's subsidiaries by the City. Upon the payment in full of the outstanding bonds, the City of Olathe is obligated to transfer title to Garmin's subsidiaries for the aggregate sum of \$200. Garmin

International, Inc. has purchased all the outstanding bonds and expects to continue to hold the bonds until maturity in order to benefit from property tax abatement.

Garmin AT, Inc. leases approximately 18 acres of land in Salem, Oregon under a ground lease. This ground lease expires in 2030, but Garmin AT, Inc. has the option to extend the ground lease until 2050. Garmin AT, Inc. owns and occupies a 115,000 square foot facility for office, development and manufacturing use and a 33,000 square foot aircraft hangar, flight test and certification facility on this land. Garmin AT, Inc. also owns and occupies an additional 66,000 square foot facility on the same property for Garmin's West Coast customer support call center and for research and development activities.

Garmin Corporation owns and occupies 247,000 and 185,000 square foot facilities in Xizhi Dist., New Taipei City, Taiwan, a 224,000 square foot facility in Jhongli, Tao-Yang County, Taiwan, and a 576,000 square foot facility in LinKou, Tao-Yang County, Taiwan. These facilities are used for the manufacturing and warehousing of most of Garmin's consumer and portable aviation products, as well as some research and development activities and the marketing and support of products for Asia Pacific countries. Garmin China Yangzhou Co., Ltd. also leases a 204,000 square foot manufacturing facility in Yangzhou, Jiangsu, People's Republic of China.

Garmin (Europe) Ltd. owns and occupies a 155,000 square foot building located in Totton, Southampton, England, used as offices and a distribution facility.

Garmin also owns and leases other properties, both internationally and domestically, not described above, that are used for office space, retail, and warehousing.

### **Item 3. Legal Proceedings**

#### *PulseOn Oy v. Garmin (Europe) Ltd.*

On November 11, 2016, PulseOn Oy filed suit in the Patents Court in London, England, against Garmin (Europe) Ltd. alleging infringement of alleged UK unregistered design rights and Registered European Community Design No. 002473769-0004 (the "0004 Design") and Registered European Community Design No. 002473769-005 (the "0005 Design") by certain Garmin products with wrist-worn heart rate monitors. A trial was held in November 2017. During the trial PulseOn abandoned its claim of infringement of alleged UK unregistered design rights. On January 18, 2018 the court issued a judgment holding that no accused Garmin products infringed either the 0004 Design or the 0005 Design. On February 21, 2018, PulseOn Oy filed an application with the Court of Appeal in England seeking leave to appeal the judgment of the Patent Court issued on January 18, 2018, holding that no accused Garmin products infringed either of the Registered Community Designs asserted by PulseOn Oy. Leave to appeal was granted and the hearing of PulseOn's appeal before the Court of Appeal took place on January 30 and 31, 2019. On February 13, 2019, the Court of Appeal issued its judgment dismissing PulseOn's appeal.

In the normal course of business, the Company and its subsidiaries are parties to various legal claims, actions, and complaints, including matters involving patent infringement, other intellectual property, product liability, customer claims and various other risks. It is not possible to predict with certainty whether or not the Company and its subsidiaries will ultimately be successful in any of these legal matters, or if not, what the impact might be. However, the Company's management does not expect that the results in any of these legal proceedings will have a material adverse effect on the Company's results of operations, financial position or cash flows.

The Company settled or resolved certain other matters during the fiscal year ended December 29, 2018 that did not individually or in the aggregate have a material impact on the Company's financial condition or results of operations.

### **Item 4. Mine Safety Disclosure**

None.



## Executive Officers of the Registrant

Pursuant to General Instruction G(3) of Form 10-K and instruction 3 to paragraph (b) of Item 401 of Regulation S-K, the following list is included as an unnumbered Item in Part I of this Annual Report on Form 10-K in lieu of being included in the Company's Definitive Proxy Statement in connection with its annual meeting of shareholders scheduled for June 7, 2019.

**Dr. Min H. Kao**, age 70, has served as Executive Chairman of Garmin Ltd. since January 2013 and was previously Chairman of Garmin Ltd. from August 2004 to December 2012 and Co-Chairman of Garmin Ltd. from August 2000 to August 2004. He served as Chief Executive Officer of Garmin Ltd. from August 2002 to December 2012 and previously served as Co-Chief Executive Officer from August 2000 to August 2002. Dr. Kao served as a director and officer of various subsidiaries of the Company from August 1990 until January 2013. Dr. Kao holds Ph.D. and MS degrees in Electrical Engineering from the University of Tennessee and a BS degree in Electrical Engineering from National Taiwan University.

**Clifton A. Pemble**, age 53, has served as a director of Garmin Ltd. since August 2004. He has served as President and Chief Executive Officer of Garmin Ltd. since January 2013. Previously, he served as President and Chief Operating Officer of Garmin Ltd. from October 2007 to December 2012, and is currently maintaining the role of principal operating officer. Previously, he was Vice President, Engineering of Garmin International, Inc. from 2005 to October 2007, Director of Engineering of Garmin International, Inc. from 2003 to 2005, and Software Engineering Manager of Garmin International, Inc. from 1995 to 2002 and a Software Engineer with Garmin International, Inc. from 1989 to 1995. Mr. Pemble has served as a director and officer of various Garmin subsidiaries since August 2003. Mr. Pemble holds BA degrees in Mathematics and Computer Science from MidAmerica Nazarene University.

**Douglas G. Boessen**, age 56, has served as Chief Financial Officer and Treasurer of Garmin Ltd. since July 2014. He previously served as Chief Financial Officer of EIKO Global, LLC from September 2013 to May 2014, as well as Collective Brands, Inc. from November 1997 to November 2012. Mr. Boessen has served as a director and officer of various Garmin subsidiaries since July 2014. Mr. Boessen is a certified public accountant and holds a BS degree in Business from the University of Central Missouri and is a graduate of the executive development program at Northwestern University's Kellogg Graduate School of Management.

**Andrew R. Etkind**, age 63, has served as Vice President, General Counsel and Secretary of Garmin Ltd. since June 2009. He was previously General Counsel and Secretary of Garmin Ltd. from August 2000 to June 2009. He has been Vice President and General Counsel of Garmin International, Inc. since July 2007, General Counsel since February 1998, and Secretary since October 1998. Mr. Etkind has served as a director and officer of various Garmin subsidiaries since December 2001. Mr. Etkind holds BA, MA and LLM degrees from Cambridge University, England and a JD degree from the University of Michigan Law School.

All executive officers are elected by and serve at the discretion of the Company's Board of Directors. None of the executive officers have an employment agreement with the Company. There are no arrangements or understandings between the executive officers and any other person pursuant to which he or she was or is to be selected as an officer. There is no family relationship among any of the executive officers. Dr. Min H. Kao is the brother of Ruey-Jeng Kao, who is a supervisor of Garmin Corporation, Garmin's Taiwan subsidiary, who serves as an ex-officio member of Garmin Corporation's Board of Directors.

## PART II

### **Item 5. Market for the Company's Common Shares, Related Shareholder Matters and Issuer Purchases of Equity Securities**

Garmin's shares have traded on The Nasdaq Stock Market, LLC under the symbol "GRMN" since its initial public offering on December 8, 2000 (the "IPO"). As of February 15, 2019, there were 180 shareholders of record.

The Board of Directors approved a share repurchase program on February 13, 2015, authorizing the Company to repurchase up to \$300 million of the Company's shares as market and business conditions warrant. The share repurchase authorization expired on December 31, 2017. The Company made no repurchases of shares during the year ended December 29, 2018. See Note 11 for additional information regarding the share repurchase plan.

We refer you to Item 12 of this report under the caption "Equity Compensation Plan Information" for certain equity plan information required to be disclosed by Item 201(d) of Regulation S-K.

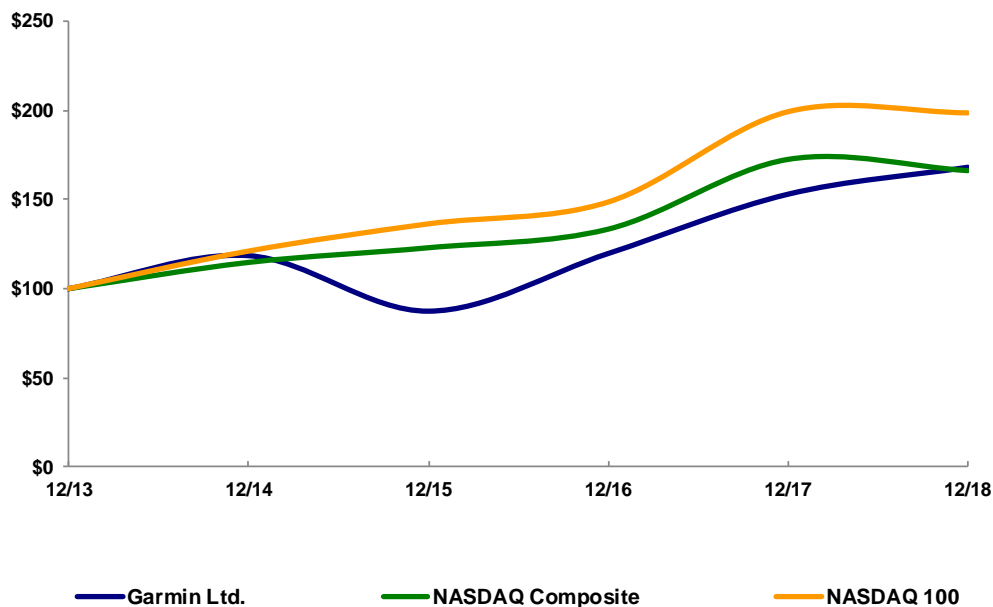
#### **Stock Performance Graph**

*This performance graph shall not be deemed "filed" with the SEC or subject to Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any of our filings under the Securities Act of 1933, as amended.*

The graph below matches Garmin Ltd.'s cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the Nasdaq Composite index and the Nasdaq 100 index. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from 12/31/2013 to 12/31/2018.

## COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among Garmin Ltd., the NASDAQ Composite Index  
and the NASDAQ 100 Index



\*\$100 invested on 12/31/13 in stock or index, including reinvestment of dividends.  
Fiscal year ending December 31.

	12/13	12/14	12/15	12/16	12/17	12/18
Garmin Ltd.	100.00	118.40	87.53	119.57	152.55	167.55
NASDAQ Composite	100.00	114.62	122.81	133.19	172.11	165.84
NASDAQ 100	100.00	120.99	136.23	148.44	198.95	198.30

*The stock price performance included in this graph is not necessarily indicative of future stock price performance.*

### Item 6. Selected Financial Data

The following table sets forth selected consolidated financial data of the Company. The selected consolidated balance sheet data as of December 29, 2018 and December 30, 2017 and the selected consolidated statement of income data for the years ended December 29, 2018, December 30, 2017, and December 31, 2016 were derived from the Company's audited consolidated financial statements and the related notes thereto which are included in Item 8 of this annual report on Form 10-K. The selected consolidated balance sheet data as of December 31, 2016, December 26, 2015, and December 27, 2014 and the selected consolidated statement of income data for the years ended December 26, 2015 and December 27, 2014 were derived from the Company's audited consolidated financial statements, not included herein.

The information set forth below is not necessarily indicative of the results of future operations and should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and

the consolidated financial statements and notes to those statements included in Items 7 and 8 in Part II of this Form 10-K.

The Company adopted the new accounting standard for revenue recognition, as discussed in Note 2 – Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements, effective beginning with the Company’s first quarter of 2018. Adoption of the new revenue recognition standard was applied using the full retrospective method, and information for prior periods within Items 6 and 7 in Part II of this Form 10-K have been restated accordingly.

In the table presented below, the consolidated statements of income and balance sheet data for the years ended December 30, 2017 and December 31, 2016 and the balance sheet data for the year ended December 26, 2015 have been restated in accordance with the Company’s adoption of the new revenue recognition standard.

	Years ended (1)				
	Dec. 29, 2018	Dec. 30, 2017	Dec. 31, 2016	Dec. 26, 2015	Dec. 27, 2014
(in thousands, except per share data)					
<b>Consolidated Statements of</b>					
<b>Income Data:</b>					
Net sales	\$ 3,347,444	\$ 3,121,560	\$ 3,045,797	\$ 2,820,270	\$ 2,870,658
Cost of goods sold	<u>1,367,725</u>	<u>1,323,619</u>	<u>1,357,272</u>	<u>1,281,566</u>	<u>1,266,246</u>
Gross profit	1,979,719	1,797,941	1,688,525	1,538,704	1,604,412
Operating expenses:					
Advertising expense	155,394	164,693	177,143	167,166	146,633
Selling, general and administrative	478,177	437,977	410,558	394,914	372,032
Research and development	<u>567,805</u>	<u>511,634</u>	<u>467,960</u>	<u>427,043</u>	<u>395,121</u>
Total operating expenses	<u>1,201,376</u>	<u>1,114,304</u>	<u>1,055,661</u>	<u>989,123</u>	<u>913,786</u>
Operating income	778,343	683,637	632,864	549,581	690,626
Other income, net (2)(3)	<u>44,904</u>	<u>13,434</u>	<u>5,761</u>	<u>17,606</u>	<u>33,119</u>
Income before income taxes	823,247	697,071	638,625	567,187	723,745
Income tax provision (benefit) (4)	<u>129,167</u>	<u>(11,936)</u>	<u>120,901</u>	<u>110,960</u>	<u>359,534</u>
Net income	<u>\$ 694,080</u>	<u>\$ 709,007</u>	<u>\$ 517,724</u>	<u>\$ 456,227</u>	<u>\$ 364,211</u>
Net income per share:					
Basic	\$ 3.68	\$ 3.77	\$ 2.74	\$ 2.39	\$ 1.89
Diluted	\$ 3.66	\$ 3.76	\$ 2.73	\$ 2.39	\$ 1.88
Weighted average common shares outstanding:					
Basic	188,635	187,828	188,818	190,631	193,106
Diluted	189,734	188,732	189,343	191,107	194,165
Dividends declared per share	\$ 2.12	\$ 2.04	\$ 2.04	\$ 2.04	\$ 1.92
<b>Balance Sheet Data (at end of Period):</b>					
Cash and cash equivalents	\$ 1,201,732	\$ 891,488	\$ 846,883	\$ 833,070	\$ 1,196,268
Marketable securities	1,513,112	1,421,720	1,480,237	1,558,548	1,575,333
Total assets	5,382,858	4,948,289	4,484,549	4,478,529	4,693,303
Total debt	-	-	-	-	-
Total stockholders' equity	4,162,974	3,852,419	3,453,259	3,373,734	3,403,367

- (1) Our fiscal year-end is the last Saturday of the calendar year and does not always fall on December 31. All years presented contain 52 weeks excluding Fiscal 2016 which includes 53 weeks.
- (2) Other income, net mainly consists of gain (loss) on sale of marketable securities, interest income, and foreign currency gain (loss).
- (3) Includes \$7.6 million, \$22.6 million, \$31.7 million, \$23.5 million, and \$4.3 million of foreign currency losses in 2018, 2017, 2016, 2015, and 2014, respectively.
- (4) 2017 – includes \$180.0 million income tax benefit primarily related to the revaluation of certain Switzerland deferred tax assets resulting from the Company's election to align Switzerland corporate tax positions with international tax initiatives, partially offset by \$22.6 million of income tax expense due to the expiration of certain share-based awards;  
2014 – includes \$307.6 million income tax expense associated with our inter-company restructuring partially offset by \$72.9 million income tax reserve release due to expiration of certain statutes of limitations or completion of tax audits

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of our financial condition and results of operations focuses on and is intended to clarify the results of our operations, certain changes in our financial position, liquidity, capital structure and business developments for the periods covered by the consolidated financial statements included in this Form 10-K. This discussion should be read in conjunction with, and is qualified by reference to, the other related information including, but not limited to, the audited consolidated financial statements (including the notes thereto), the description of our business, all as set forth in this Form 10-K, as well as the risk factors discussed above in Item 1A.

As previously noted, the discussion set forth below, as well as other portions of this Form 10-K, contain statements concerning potential future events. Readers can identify these forward-looking statements by their use of such verbs as "expects," "anticipates," "believes" or similar verbs or conjugations of such verbs. If any of our assumptions on which the statements are based prove incorrect or should unanticipated circumstances arise, our actual results could materially differ from those anticipated by such forward-looking statements. The differences could be caused by a number of factors or combination of factors including, but not limited to, those discussed above in Item 1A. Readers are strongly encouraged to consider those factors when evaluating any such forward-looking statement. Except as may be required by law, we do not undertake to update any forward-looking statements in this Form 10-K.

Garmin's fiscal year is a 52-53 week period ending on the last Saturday of the calendar year. Fiscal years 2018 and 2017 contained 52 weeks compared to 53 weeks for 2016. Unless otherwise stated, all years and dates refer to the Company's fiscal year and fiscal periods. Unless the context otherwise requires, references in this document to "we," "us," "our" and similar terms refer to Garmin Ltd. and its subsidiaries.

Unless otherwise indicated, dollar amounts set forth in the tables are in thousands, except per share data.

### **Overview**

We are a leading worldwide provider of navigation, communications and information devices, most of which are enabled by Global Positioning System, or GPS, technology. We operate in five business segments, which serve the marine, outdoor, fitness, auto, and aviation markets. Our segments offer products through our network of subsidiary distributors and independent dealers and distributors. However, the nature of products and types of customers for the five segments can vary significantly. As such, the segments are managed separately.

Since our first products were delivered in 1991, we have generated positive income from operations each year and have funded our growth from these profits.

### **Critical Accounting Policies and Estimates**

#### ***General***

Garmin's discussion and analysis of its financial condition and results of operations are based upon Garmin's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The presentation of these financial statements requires Garmin to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, Garmin evaluates its estimates, including those related to customer sales programs and incentives, product returns, bad debts, inventories, investments, intangible assets, income taxes, warranty obligations, and contingencies and litigation. Garmin bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

For information on each of the following critical accounting policies and/or estimates, refer to the discussion in the Notes to the Consolidated Financial Statements as indicated in the table below:

Intangible Assets	Note 2 – Summary of Significant Accounting Policies
Revenue Recognition	Note 2 – Summary of Significant Accounting Policies & Note 13 – Revenue
Product Warranty	Note 2 – Summary of Significant Accounting Policies
Legal and Other Contingencies	Note 2 – Summary of Significant Accounting Policies & Note 4 – Commitments and Contingencies
Income Taxes	Note 2 – Summary of Significant Accounting Policies & Note 6 – Income Taxes

## **Accounting Terms and Characteristics**

### ***Net Sales***

Our net sales are primarily generated through sales to our retail partners, dealer and distributor network and to original equipment manufacturers. Refer to the Revenue Recognition discussion in Note 2 to the Consolidated Financial Statements. We aim to achieve a quick turnaround on orders we receive, and we typically ship most orders within 72 hours. Therefore, we believe that backlog information is not material to the understanding of our business.

Net sales are subject to seasonal fluctuation. Typically, sales of our consumer products are highest in the fourth quarter, due to increased demand during the holiday buying season, and in the second quarter, due to increased demand during the spring and summer season. Our aviation and auto OEM products do not experience much seasonal variation, but are more influenced by the timing of aircraft certifications and the release of new products when the initial demand is typically the strongest.

### ***Cost of Sales/Gross Profit***

Raw material costs are our most significant component of cost of goods sold. Our existing practice of performing the design and manufacture of our products in-house has enabled us to source components from different suppliers and, where possible, to redesign our products to leverage lower cost components. We believe that our flexible production model allows our Xizhi, Jhongli, and LinKou manufacturing plants in Taiwan; Yangzhou manufacturing plant in China; and our Olathe, Kansas, and Salem, Oregon manufacturing plants in the U.S. to experience relatively low costs of manufacturing. In general, products manufactured in Taiwan have been our highest volume products. Our manufacturing labor costs historically have been lower in Taiwan and China than in Olathe and Salem.

Sales price variability has had and can be expected to have an effect on our gross profit. Our gross profit is dependent on segment mix, and to a lesser extent, product mix within each segment.

### ***Advertising Expense***

Our advertising expenses consist of costs for media advertising, cooperative advertising with our retail partners, point of sale displays, and sponsorships.

### ***Selling, General and Administrative Expenses***

Our selling, general and administrative expenses consist primarily of:

- salaries for sales, marketing and product support personnel;
- salaries and related costs for executives and administrative personnel;
- marketing, and other brand building costs;
- accounting and legal costs;
- information systems and infrastructure costs;
- travel and related costs; and
- occupancy and other overhead costs.

## **Research and Development**

The majority of our research and development costs represent salaries for our engineers and costs of test equipment and components used in product and prototype development.

We are committed to increasing the level of innovative design and development of new products as we strive for expanded ability to serve our existing consumer and aviation markets as well as new markets for active lifestyle products.

## **Income Taxes**

We have experienced a relatively low effective corporate tax rate due to the proportion of our revenue generated by entities in tax jurisdictions with low statutory rates. In particular, the profit entitlement afforded our Swiss-based companies based on their intellectual property rights ownership of our consumer products have contributed to our relatively low effective corporate tax rate.

## **Results of Operations**

The following table sets forth our results of operations as a percentage of net sales during the periods shown (the table may not foot due to rounding):

	<b>52-Weeks Ended</b>	<b>52-Weeks Ended</b>	<b>53-Weeks Ended</b>
	<b>December 29,</b>	<b>December 30,</b>	<b>December 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Net sales	100%	100%	100%
Cost of goods sold	<u>41%</u>	<u>42%</u>	<u>45%</u>
Gross profit	59%	58%	55%
Operating expenses:			
Advertising	5%	5%	6%
Selling, general and administrative	14%	14%	13%
Research and development	<u>17%</u>	<u>16%</u>	<u>15%</u>
Total operating expenses	<u>36%</u>	<u>36%</u>	<u>35%</u>
Operating income	23%	22%	21%
Other income, net	<u>1%</u>	<u>0%</u>	<u>0%</u>
Income before income taxes	25%	22%	21%
Provision (benefit) for income taxes	<u>4%</u>	<u>(0%)</u>	<u>4%</u>
Net income	<u>21%</u>	<u>23%</u>	<u>17%</u>

The following table sets forth our results of operations through operating income for each of our five segments during the period shown. The Company's CODM uses operating income as the measure of profit or loss to assess segment performance and allocate resources. Operating income represents net sales less costs of goods sold and operating expenses. Net sales are directly attributed to each segment. Most costs of goods sold and the majority of operating expenses are also directly attributed to each segment, while certain other costs of goods sold and operating expenses are allocated to the segments in a manner appropriate to the specific facts and circumstances of the expenses being allocated. For each line item in the table, the total of the segments' amounts equals the amount in the consolidated statements of income data included in Item 6.



52-weeks ended December 29, 2018	Outdoor	Fitness	Marine	Auto	Aviation
Net sales	\$ 809,883	\$ 858,329	\$ 441,560	\$ 634,213	\$ 603,459
Cost of goods sold	281,629	386,565	182,804	363,420	153,307
Gross profit	528,254	471,764	258,756	270,793	450,152
Advertising expense	46,041	64,707	18,284	19,155	7,207
Selling, general and administrative expenses	120,588	135,096	97,682	88,672	36,139
Research and development expense	71,115	90,216	79,446	124,968	202,060
Total operating expenses	237,744	290,019	195,412	232,795	245,406
Operating income	<u>\$ 290,510</u>	<u>\$ 181,745</u>	<u>\$ 63,344</u>	<u>\$ 37,998</u>	<u>\$ 204,746</u>
52-weeks ended December 30, 2017	Outdoor	Fitness	Marine	Auto	Aviation
Net sales	\$ 698,867	\$ 762,194	\$ 374,001	\$ 785,139	\$ 501,359
Cost of goods sold	250,457	339,558	161,409	442,441	129,754
Gross profit	448,410	422,636	212,592	342,698	371,605
Advertising expense	41,113	75,660	16,101	25,639	6,180
Selling, general and administrative expenses	98,914	119,537	83,765	107,995	27,766
Research and development expense	58,516	80,674	62,398	126,320	183,726
Total operating expenses	198,543	275,871	162,264	259,954	217,672
Operating income	<u>\$ 249,867</u>	<u>\$ 146,765</u>	<u>\$ 50,328</u>	<u>\$ 82,744</u>	<u>\$ 153,933</u>
53-weeks ended December 31, 2016	Outdoor	Fitness	Marine	Auto	Aviation
Net sales	\$ 546,326	\$ 818,486	\$ 331,947	\$ 909,690	\$ 439,348
Cost of goods sold	205,822	381,281	148,238	511,988	109,943
Gross profit	340,504	437,205	183,709	397,702	329,405
Advertising expense	31,005	90,871	15,516	33,122	6,629
Selling, general and administrative expenses	77,016	118,753	60,061	127,618	27,110
Research and development expense	48,448	66,985	55,965	125,660	170,902
Total operating expenses	156,469	276,609	131,542	286,400	204,641
Operating income	<u>\$ 184,035</u>	<u>\$ 160,596</u>	<u>\$ 52,167</u>	<u>\$ 111,302</u>	<u>\$ 124,764</u>

## Comparison of 52-Weeks Ended December 29, 2018 and December 30, 2017

### Net Sales

	52-Weeks ended December 29, 2018		52-Weeks ended December 30, 2017		Year over Year	
	Net Sales	% of Revenue	Net Sales	% of Revenue	\$ Change	% Change
Outdoor	\$ 809,883	24%	\$ 698,867	22%	\$ 111,016	16%
Fitness	858,329	26%	762,194	25%	96,135	13%
Marine	441,560	13%	374,001	12%	67,559	18%
Auto	634,213	19%	785,139	25%	(150,926)	(19%)
Aviation	603,459	18%	501,359	16%	102,100	20%
Total	\$ 3,347,444	100%	\$ 3,121,560	100%	\$ 225,884	7%

Net sales increased 7% in 2018 when compared to the year-ago period. All segments had an increase in revenue except for auto. Fitness revenue represented the largest portion of our revenue mix in 2018 at 26%, and auto revenue represented the largest portion of our revenue mix in 2017 at 25%.

Total unit sales decreased 3% to 14.9 million units in 2018 from 15.4 million units in 2017.

Outdoor, fitness, marine, and aviation revenues increased 16%, 13%, 18%, and 20%, respectively when compared to the year-ago period. The outdoor and fitness segment revenue increases were primarily driven by growth in wearables. Marine segment revenue increases were driven by sales growth across most product lines and

sales from recent acquisitions. Aviation segment revenue increases were driven by sales growth across most product lines in both OEM and aftermarket categories. Auto segment revenue decreased 19% from the year-ago period, primarily due to the ongoing PND market contraction and lower year-over-year OEM sales driven by the timing of OEM programs.

### Cost of Goods Sold

	52-Weeks ended December 29, 2018		52-Weeks ended December 30, 2017		Year over Year	
	Cost of Goods	% of Revenue	Cost of Goods	% of Revenue	\$ Change	% Change
Outdoor	\$ 281,629	35%	\$ 250,457	36%	\$ 31,172	12%
Fitness	386,565	45%	339,558	45%	47,007	14%
Marine	182,804	41%	161,409	43%	21,395	13%
Auto	363,420	57%	442,441	56%	(79,021)	(18%)
Aviation	153,307	25%	129,754	26%	23,553	18%
Total	\$ 1,367,725	41%	\$ 1,323,619	42%	\$ 44,106	3%

Cost of goods sold increased 3% in absolute dollars for fiscal year 2018 when compared to fiscal year 2017. The increase in revenue outpaced the increase in cost of goods sold, which resulted in a 150 basis point decrease in cost of goods sold as a percent of revenue compared to the prior fiscal year.

The marine segment decrease in cost of goods sold, as a percent of revenue, primarily resulted from the favorable impact of higher margin cartography sales on product mix. The outdoor segment decrease in cost of goods sold, as a percent of revenue, was primarily due to shifts in product mix. In the fitness and aviation segments, cost of goods sold as a percent of revenue was relatively flat compared to the prior year. The auto segment cost of goods decline was largely consistent with the segment revenue decline.

### Gross Profit

	52-Weeks ended December 29, 2018		52-Weeks ended December 30, 2017		Year over Year	
	Gross Profit	% of Revenue	Gross Profit	% of Revenue	\$ Change	% Change
Outdoor	\$ 528,254	65%	\$ 448,410	64%	\$ 79,844	18%
Fitness	471,764	55%	422,636	55%	49,128	12%
Marine	258,756	59%	212,592	57%	46,164	22%
Auto	270,793	43%	342,698	44%	(71,905)	(21%)
Aviation	450,152	75%	371,605	74%	78,547	21%
Total	\$ 1,979,719	59%	\$ 1,797,941	58%	\$ 181,778	10%

Gross profit dollars in 2018 increased 10% while gross margin increased 150 basis points when compared to the prior year. Gross margin increased in the outdoor and marine segments as a result of the reasons discussed above. Gross margins remained relatively flat as a percent of revenue in the fitness, auto, and aviation segments.

### Advertising Expenses

	52-Weeks ended December 29, 2018		52-Weeks ended December 30, 2017		Year over Year	
	Advertising Expense	% of Revenue	Advertising Expense	% of Revenue		
					\$ Change	% Change
Outdoor	\$ 46,041	6%	\$ 41,113	6%	\$ 4,928	12%
Fitness	64,707	8%	75,660	10%	(10,953)	(14%)
Marine	18,284	4%	16,101	4%	2,183	14%
Auto	19,155	3%	25,639	3%	(6,484)	(25%)
Aviation	7,207	1%	6,180	1%	1,027	17%
Total	\$ 155,394	5%	\$ 164,693	5%	\$ (9,299)	(6%)

Advertising expense decreased 6% in absolute dollars and was relatively flat as a percent of revenue in fiscal year 2018 compared to fiscal year 2017. The overall decrease in absolute dollars was primarily attributable to decreased media advertising in the fitness segment and decreased media and cooperative advertising in the auto segment, partially offset by increased media advertising in the outdoor segment and increased media and cooperative advertising in the marine segment.

### ***Selling, General and Administrative Expenses***

	52-Weeks ended December 29, 2018		52-Weeks ended December 30, 2017		Year over Year	
	Selling, General & Admin. Expenses	% of Revenue	Selling, General & Admin. Expenses	% of Revenue	\$ Change	% Change
Outdoor	\$ 120,588	15%	\$ 98,914	14%	\$ 21,674	22%
Fitness	135,096	16%	119,537	16%	15,559	13%
Marine	97,682	22%	83,765	22%	13,917	17%
Auto	88,672	14%	107,995	14%	(19,323)	(18%)
Aviation	36,139	6%	27,766	6%	8,373	30%
Total	\$ 478,177	14%	\$ 437,977	14%	\$ 40,200	9%

Selling, general and administrative expense increased 9% in absolute dollars and was relatively flat as a percent of revenue when compared to the year-ago period. The absolute dollar increase was primarily attributable to expenses from recent acquisitions and personnel costs, partially offset by a reduction in litigation settlement costs in the marine segment. All segments were relatively flat as a percent of revenue.

### ***Research and Development Expense***

	52-Weeks ended December 29, 2018		52-Weeks ended December 30, 2017		Year over Year	
	Research & Development	% of Revenue	Research & Development	% of Revenue	\$ Change	% Change
Outdoor	\$ 71,115	9%	\$ 58,516	8%	\$ 12,599	22%
Fitness	90,216	11%	80,674	11%	9,542	12%
Marine	79,446	18%	62,398	17%	17,048	27%
Auto	124,968	20%	126,320	16%	(1,352)	(1%)
Aviation	202,060	33%	183,726	37%	18,334	10%
Total	\$ 567,805	17%	\$ 511,634	16%	\$ 56,171	11%

Research and development expense increased 11% in absolute dollars when compared to the year-ago period and was relatively flat as a percent of revenue. The absolute dollar increase was primarily due to engineering personnel costs related to wearable and aviation product offerings and expenses resulting from recent acquisitions within the marine segment. Our research and development spending is focused on product development, improving existing software capabilities, and exploring new categories.

### ***Operating Income***

	52-Weeks ended December 29, 2018		52-Weeks ended December 30, 2017		Year over Year	
	Operating Income	% of Revenue	Operating Income	% of Revenue	\$ Change	% Change
Outdoor	\$ 290,510	36%	\$ 249,867	36%	\$ 40,643	16%
Fitness	181,745	21%	146,765	19%	34,980	24%
Marine	63,344	14%	50,328	13%	13,016	26%
Auto	37,998	6%	82,744	11%	(44,746)	(54%)
Aviation	204,746	34%	153,933	31%	50,813	33%
Total	\$ 778,343	23%	\$ 683,637	22%	\$ 94,706	14%

Operating income increased 14% in absolute dollars and increased 140 basis points as a percent of revenue when compared to fiscal year 2017. The growth in operating income on an absolute dollar basis and as a percent of revenue was the result of strong revenue growth and increased gross margins.

### **Other Income (Expense)**

	52-Weeks ended December 29, 2018	52-Weeks ended December 30, 2017
Interest income	\$ 47,147	\$ 36,925
Foreign currency (losses)	(7,616)	(22,579)
Other	5,373	(912)
Total	\$ 44,904	\$ 13,434

The average returns on cash and investments, including interest and capital gain/loss returns, during the 52-weeks ended December 29, 2018 and December 30, 2017 were 1.8% and 1.5%, respectively. Interest income increased primarily due to higher yields on fixed-income securities.

Foreign currency gains and losses for the Company are typically driven by movements in the Taiwan Dollar, Euro, and British Pound Sterling in relation to the U.S. Dollar. The Taiwan Dollar is the functional currency of Garmin Corporation, the U.S. Dollar is the functional currency of Garmin (Europe) Ltd., and the Euro is the functional currency of most of our other European subsidiaries, although some transactions and balances are denominated in British Pounds. The majority of the Company's consolidated foreign currency gain or loss is typically driven by the significant cash and marketable securities, receivables, and payables held in a currency other than the functional currency at a given legal entity. Due to the relative size of the entities using a functional currency other than the Taiwan Dollar, Euro, and British Pound Sterling, currency fluctuations related to these entities are not expected to have a material impact on the Company's financial statements.

The \$7.6 million currency loss recognized in fiscal 2018 was primarily due to the strengthening of the U.S. Dollar against the Euro and the British Pound Sterling, offset by the U.S. Dollar strengthening against the Taiwan Dollar. During fiscal 2018, the U.S. Dollar strengthened 4.7% against the Euro and 6.0% against the British Pound Sterling, resulting in losses of \$10.0 million and \$1.7 million, respectively, while the U.S. Dollar strengthened 3.0% against the Taiwan Dollar, resulting in a gain of \$15.1 million. The remaining net currency loss of \$11.0 million was related to timing of transactions and impacts of other currencies, each of which was individually immaterial.

The \$22.6 million currency loss recognized in fiscal 2017 was primarily due to the weakening of the U.S. Dollar against the Taiwan Dollar, partially offset by the U.S. Dollar weakening against the Euro and the British Pound Sterling. During fiscal 2017, the U.S. Dollar weakened 9.4% against the Taiwan Dollar, resulting in a loss of \$55.9 million, while the U.S. Dollar weakened 14.1% against the Euro and 9.5% against the British Pound Sterling, resulting in gains of \$27.2 million and \$3.1 million, respectively. The remaining net currency gain of \$3.0 million was related to timing of transactions and impacts of other currencies, each of which was individually immaterial.

### **Income Tax Provision**

Our income tax expense for the fiscal year ended December 29, 2018 was \$129.2 million compared to income tax benefit of \$11.9 million for the fiscal year ended December 30, 2017, resulting in a net change of \$141.1 million. Contributing to the increase in tax expense was:

- Income tax benefit of \$180.0 million recorded in fiscal 2017 primarily related to the revaluation of certain Switzerland deferred tax assets resulting from the Company's election in the first quarter of 2017 to align certain Switzerland corporate tax positions with international tax initiatives with no comparable item in the fiscal year ended December 29, 2018,

Partially offset by:

- Income tax benefit of \$2.7 million related to share based compensation in the fiscal year ended December 29, 2018, as compared to income tax expense of \$19.9 million in the fiscal year ended December 30, 2017, and

- Income tax benefit of \$13.7 million related to the Company's net change in uncertain tax positions in the fiscal year ended December 29, 2018, as compared to income tax expense of \$5.4 million in the fiscal year ended December 30, 2017.

### **Net Income**

As a result of the various factors noted above, income before taxes increased 18% to \$823.2 million from \$697.1 million in the prior year, while net income decreased 2% to \$694.1 million from \$709.0 million in the prior year.

### **Comparison of 52-Weeks Ended December 30, 2017 and 53-Weeks Ended December 31, 2016**

#### **Net Sales**

	52-Weeks ended December 30, 2017		53-Weeks ended December 31, 2016		Year over Year	
	Net Sales	% of Revenue	Net Sales	% of Revenue	\$ Change	% Change
Outdoor	\$ 698,867	22%	\$ 546,326	18%	\$ 152,541	28%
Fitness	762,194	25%	818,486	27%	(56,292)	(7%)
Marine	374,001	12%	331,947	11%	42,054	13%
Auto	785,139	25%	909,690	30%	(124,551)	(14%)
Aviation	501,359	16%	439,348	14%	62,011	14%
Total	\$ 3,121,560	100%	\$ 3,045,797	100%	\$ 75,763	2%

Net sales increased 2% in 2017 when compared to the year-ago period. Outdoor, marine, and aviation segments had an increase in revenue, while fitness and auto segments had a decrease in revenue. Auto revenue represented the largest portion of our revenue mix in 2017 at 25%, which was a decline from 30% in 2016.

Total unit sales decreased 8% to 15.4 million units in the 52-weeks ended 2017 from 16.8 million units in the 53-weeks ended 2016.

Outdoor, marine, and aviation revenues increased 28%, 13%, and 14%, respectively when compared to the year-ago period. Growth in outdoor was driven by growth in our wearables and subscriptions categories. Our marine segment revenue increased primarily due to growth in chartplotters, fishfinders, and entertainment systems, and the newly acquired Navionics. Aviation revenues increased due to growth in both OEM and aftermarket sales. Fitness segment revenue decreased 7% from the year-ago period, primary driven by the general decline of the basic activity tracker market. Auto segment revenue decreased 14% from the year-ago period, primarily due to the ongoing PND market contraction.

#### **Cost of Goods Sold**

	52-Weeks ended December 30, 2017		53-Weeks ended December 31, 2016		Year over Year	
	Cost of Goods	% of Revenue	Cost of Goods	% of Revenue	\$ Change	% Change
Outdoor	\$ 250,457	36%	\$ 205,822	38%	\$ 44,635	22%
Fitness	339,558	45%	381,281	47%	(41,723)	(11%)
Marine	161,409	43%	148,238	45%	13,171	9%
Auto	442,441	56%	511,988	56%	(69,547)	(14%)
Aviation	129,754	26%	109,943	25%	19,811	18%
Total	\$ 1,323,619	42%	\$ 1,357,272	45%	\$ (33,653)	(2%)

Cost of goods sold decreased 2% in absolute dollars for the 52-weeks ended December 30, 2017 when compared to the 53-weeks ended December 31, 2016.

In the outdoor, fitness, and marine segments, the decrease in cost of goods sold as a percent of revenues was a result of a shift in product mix toward higher margin products. The aviation segment increase in cost of goods

sold was generally consistent with the segment revenue increase. The auto segment cost of goods decline was largely consistent with the segment revenue decline.

### **Gross Profit**

	52-Weeks ended December 30, 2017		53-Weeks ended December 31, 2016		Year over Year	
	Gross Profit	% of Revenue	Gross Profit	% of Revenue	\$ Change	% Change
Outdoor	\$ 448,410	64%	\$ 340,504	62%	\$ 107,906	32%
Fitness	422,636	55%	437,205	53%	(14,569)	(3%)
Marine	212,592	57%	183,709	55%	28,883	16%
Auto	342,698	44%	397,702	44%	(55,004)	(14%)
Aviation	371,605	74%	329,405	75%	42,200	13%
Total	\$ 1,797,941	58%	\$ 1,688,525	55%	\$ 109,416	6%

Gross profit dollars in the 52-weeks ended December 30, 2017 increased 6% while gross profit margin increased 220 basis points compared to the 53-weeks ended December 31, 2016. Growth in sales of higher margin segments contributed to the increase in gross profit dollars and gross margin percentage. Outdoor, fitness, and marine segment increases to gross profit margin were primarily due to product mix within those segments. Auto and aviation segment gross margin rates were relatively consistent between fiscal periods.

### **Advertising Expenses**

	52-Weeks ended December 30, 2017		53-Weeks ended December 31, 2016		Year over Year	
	Advertising Expense	% of Revenue	Advertising Expense	% of Revenue	\$ Change	% Change
Outdoor	\$ 41,113	6%	\$ 31,005	6%	\$ 10,108	33%
Fitness	75,660	10%	90,871	11%	(15,211)	(17%)
Marine	16,101	4%	15,516	5%	585	4%
Auto	25,639	3%	33,122	4%	(7,483)	(23%)
Aviation	6,180	1%	6,629	2%	(449)	(7%)
Total	\$ 164,693	5%	\$ 177,143	6%	\$ (12,450)	(7%)

Advertising expense decreased 7% in absolute dollars and was relatively flat as a percent of revenues in the 52-weeks ended December 30, 2017 compared to the 53-weeks ended December 31, 2016. The decrease in absolute dollars is primarily attributable to decreases in spend on media advertising.

### **Selling, General and Administrative Expenses**

	52-Weeks ended December 30, 2017		53-Weeks ended December 31, 2016		Year over Year	
	Selling, General & Admin. Expenses	% of Revenue	Selling, General & Admin. Expenses	% of Revenue	\$ Change	% Change
Outdoor	\$ 98,914	14%	\$ 77,016	14%	\$ 21,898	28%
Fitness	119,537	16%	118,753	15%	784	1%
Marine	83,765	22%	60,061	18%	23,704	39%
Auto	107,995	14%	127,618	14%	(19,623)	(15%)
Aviation	27,766	6%	27,110	6%	656	2%
Total	\$ 437,977	14%	\$ 410,558	13%	\$ 27,419	7%

Selling, general and administrative expense increased 7% in absolute dollars and was relatively flat as a percent of revenues in the 52-weeks ended December 30, 2017 compared to the 53-weeks ended December 31, 2016. The absolute dollar increase is primarily attributable to legal-related costs and information technology costs. As a percent of revenues, selling, general, and administrative expenses in all segments except marine were relatively consistent on a year over year basis. The increase in the marine segment, as a percent of revenue, was primarily related to a litigation settlement.

### Research and Development Expense

	52-Weeks ended December 30, 2017		53-Weeks ended December 31, 2016		Year over Year	
	Research & Development	% of Revenue	Research & Development	% of Revenue	\$ Change	% Change
	Outdoor	\$ 58,516	8%	\$ 48,448	9%	\$ 10,068
Fitness	80,674	11%	66,985	8%	13,689	20%
Marine	62,398	17%	55,965	17%	6,433	11%
Auto	126,320	16%	125,660	14%	660	1%
Aviation	183,726	37%	170,902	39%	12,824	8%
Total	\$ 511,634	16%	\$ 467,960	15%	\$ 43,674	9%

Research and development expense increased 9% due to ongoing development activities for new products and the addition of engineering personnel throughout the 52-weeks ended December 30, 2017. In absolute dollars, research and development costs increased \$43.7 million when compared with the 53-weeks ended December 31, 2016, and increased 100 basis points as a percent of revenue. Our research and development spending is focused on product development, improving existing software capabilities, and exploring new categories.

### Operating Income

	52-Weeks ended December 30, 2017		53-Weeks ended December 31, 2016		Year over Year	
	Operating Income	% of Revenue	Operating Income	% of Revenue	\$ Change	% Change
Outdoor	\$ 249,867	36%	\$ 184,035	34%	\$ 65,832	36%
Fitness	146,765	19%	160,596	20%	(13,831)	(9%)
Marine	50,328	13%	52,167	16%	(1,839)	(4%)
Auto	82,744	11%	111,302	12%	(28,558)	(26%)
Aviation	153,933	31%	124,764	28%	29,169	23%
Total	\$ 683,637	22%	\$ 632,864	21%	\$ 50,773	8%

As a result of the above, operating income increased 8% in absolute dollars and 110 basis points as a percent of revenue when compared to the 53-weeks ended December 31, 2016. The growth in operating income, both in absolute dollars and as a percent of revenue, was primarily due to an increase in revenue growth and increase in gross margin percentage, which were partially offset by increased operating expenses, as discussed above.

### Other Income (Expense)

	52-Weeks ended December 30, 2017	53-Weeks ended December 31, 2016
Interest income	\$ 36,925	\$ 33,406
Foreign currency (losses)	(22,579)	(31,651)
Other	(912)	4,006
Total	\$ 13,434	\$ 5,761

The average returns on cash and investments, including interest and capital gain/loss returns, during the 52-weeks ended December 30, 2017 and the 53-weeks ended December 31, 2016 were 1.5% for both periods. Interest income increased in fiscal 2017 primarily due to slightly higher yields on fixed-income securities, while other income decreased in fiscal 2017 primarily due to higher net capital gains realized in fiscal 2016.

Foreign currency gains and losses for the Company are typically driven by movements in the Taiwan Dollar, Euro, and British Pound Sterling in relation to the U.S. Dollar. The Taiwan Dollar is the functional currency of Garmin Corporation, the U.S. Dollar is the functional currency of Garmin (Europe) Ltd., and the Euro is the functional currency of most of our other European subsidiaries, although some transactions and balances are denominated in British Pounds. The majority of the Company's consolidated foreign currency gain or loss is typically driven by the significant cash and marketable securities, receivables, and payables held in a currency other than the functional currency at a given legal entity. Due to the relative size of the entities using a functional currency other than the Taiwan Dollar,

Euro, and British Pound Sterling, currency fluctuations related to these entities are not expected to have a material impact on the Company's financial statements.

The \$22.6 million currency loss recognized in fiscal 2017 was primarily due to the weakening of the U.S. Dollar against the Taiwan Dollar, partially offset by the U.S. Dollar weakening against the Euro and the British Pound Sterling. During fiscal 2017, the U.S. Dollar weakened 9.4% against the Taiwan Dollar, resulting in a loss of \$55.9 million, while the U.S. Dollar weakened 14.1% against the Euro and 9.5% against the British Pound Sterling, resulting in gains of \$27.2 million and \$3.1 million, respectively. The remaining net currency gain of \$3.0 million was related to timing of transactions and impacts of other currencies, each of which was individually immaterial.

The \$31.7 million currency loss recognized in fiscal 2016 was primarily due to the weakening of the U.S. Dollar against the Taiwan Dollar and the strengthening of the U.S. Dollar against the Euro and British Pound Sterling. During fiscal 2016, the U.S. Dollar weakened 1.7% against the Taiwan Dollar, resulting in a loss of \$9.2 million, while the U.S. Dollar strengthened 4.2% against the Euro and 16.8% against the British Pound Sterling, resulting in losses of \$13.0 million and \$5.1 million, respectively. The remaining net currency loss of \$4.4 million was related to timing of transactions and impacts of other currencies, each of which was individually immaterial.

### ***Income Tax Provision***

Our income tax benefit for the 52-weeks ended December 30, 2017 was \$11.9 million compared to income tax expense of \$120.9 million for the 53-weeks ended December 31, 2016, resulting in a net change of \$132.8 million. Contributing to the decrease in tax expense was:

- Income tax benefit of \$180.0 million recorded in fiscal 2017 primarily related to the revaluation of certain Switzerland deferred tax assets resulting from the Company's election in the first quarter of 2017 to align certain Switzerland corporate tax positions with international tax initiatives, with no comparable item in the 53-weeks ended December 31, 2016,

Partially offset by:

- Income tax expense of \$19.9 million related to share based compensation in the 52-weeks ended December 30, 2017 in accordance with new accounting standard Topic 718, Compensation—Stock Compensation, and
- Increased income tax expense of \$21.0 million related to the Company's election to align certain Switzerland corporate tax positions in the 52-weeks ended December 30, 2017.

On December 22, 2017, the Tax Cuts and Jobs Act was passed by United States Congress, reducing the United States federal corporate income tax rate from 35% to 21%. The effects of U.S. tax reform, including revaluation of deferred tax assets and liabilities, had an immaterial impact on the 2017 income tax benefit, on a provisional basis, as discussed in Note 6.

### ***Net Income***

As a result of the various factors noted above, net income increased 37% to \$709.0 million for the 52-weeks ended December 30, 2017 compared to \$517.7 million for the 53-weeks ended December 31, 2016.

### ***Liquidity and Capital Resources***

As of December 29, 2018, we had \$2,714.8 million of cash and cash equivalents and marketable securities. We primarily use cash flow from operations, and expect that future cash requirements may be used, to fund our capital expenditures, support our working capital requirements, pay dividends, and fund strategic acquisitions. We believe that our existing cash balances and cash flow from operations will be sufficient to meet our long-term projected capital expenditures, working capital and other cash requirements.



It is management's goal to invest the on-hand cash in accordance with the investment policy, which has been approved by the Board of Directors of each applicable Garmin entity holding the cash. The investment policy's primary purpose is to preserve capital, maintain an acceptable degree of liquidity, and maximize yield within the constraint of low credit risk. Garmin's average interest income returns on cash and investments during fiscal 2018, 2017, and 2016 were approximately 1.9%, 1.6%, and 1.5%, respectively. The fair value of our securities varies from period to period due to changes in interest rates, in the performance of the underlying collateral and in the credit performance of the underlying issuer, among other factors. See Note 3 for additional information regarding marketable securities.

### **Operating Activities**

	52-Weeks Ended December 29, 2018	52-Weeks Ended December 30, 2017	53-Weeks Ended December 31, 2016
(In thousands)			
Net cash provided by operating activities	\$ 919,520	\$ 660,842	\$ 705,682

The \$258.7 million increase in cash provided by operating activities in fiscal year 2018 compared to fiscal year 2017 was due to the increase in cash provided by working capital of \$82.8 million (which included an increase of \$46.4 million in net receipts of accounts receivable, an increase of \$57.9 million in accounts payable, partially offset by an increase of \$50.2 million in cash paid for inventory), and income taxes payable of \$48.6 million. Additionally, the year over year decrease in net income of \$14.9 million was offset by other non-cash adjustments to net income of \$142.3 million, including an income tax benefit of \$180.0 million related to the revaluation of certain Switzerland deferred tax assets.

The \$44.8 million decrease in cash provided by operating activities in fiscal year 2017 compared to fiscal year 2016 was primarily due to a decrease of cash provided by working capital of \$133.2 million (which included increases of \$52.2 million in accounts receivable and \$31.5 million in cash paid for inventory) and income taxes payable of \$16.5 million. The decrease was partially offset by an increase in net income of \$184.1 million, reduced by other non-cash adjustments to net income of \$79.3 million, including an income tax benefit of \$180.0 million related to the revaluation of certain Switzerland deferred tax assets.

### **Investing Activities**

	52-Weeks Ended December 29, 2018	52-Weeks Ended December 30, 2017	53-Weeks Ended December 31, 2016
(In thousands)			
Net cash used in investing activities	\$ (307,503)	\$ (194,383)	\$ (121,683)

The \$113.1 million increase in cash used in investing activities in fiscal year 2018 compared to fiscal year 2017 was primarily due to increased net purchases of marketable securities of \$167.2 million and increased cash payments for net purchases of property and equipment of \$14.8 million, partially offset by a decrease in net cash paid for acquisitions of \$61.3 million.

The \$72.7 million increase in cash used in investing activities in fiscal year 2017 compared to fiscal year 2016 was primarily due to increased cash payments for net purchases of property and equipment of \$49.1 million and net cash paid for acquisitions of \$12.5 million.

### **Financing Activities**

	52-Weeks Ended December 29, 2018	52-Weeks Ended December 30, 2017	53-Weeks Ended December 31, 2016
(In thousands)			
Net cash used in financing activities	\$ (286,161)	\$ (448,412)	\$ (561,676)

The \$162.3 million decrease in cash used in financing activities in fiscal year 2018 compared to fiscal year 2017 was primarily due to a decrease in dividend payments of \$86.8 million associated with the timing of dividend

payments that resulted in one less dividend payment in 2018 compared to 2017, and also due to a decrease of purchases of treasury stock of \$74.5 million under our share repurchase authorization, which expired on December 31, 2017.

The \$113.3 million decrease in cash used in financing activities in fiscal year 2017 compared to fiscal year 2016 was primarily due to decreased dividend payments of \$98.5 million associated with the timing of dividend payments that resulted in an additional payment made in the 53-week fiscal year 2016, and also due to a decrease of purchases of treasury stock of \$18.7 million under our share repurchase authorization.

Our declared dividend has increased from \$0.51 per share for the twelve calendar quarters beginning in June 2015 to \$0.53 per share for the four calendar quarters beginning June 2018.

### **Contractual Obligations and Commercial Commitments**

As of December 29, 2018, operating leases comprise the substance of the Company's commercial commitments with long-term scheduled payments, as summarized below:

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Leases	\$ 69,838	\$ 17,170	\$ 24,520	\$ 14,237	\$ 13,910

The Company is party to certain other commitments, which include purchases of raw materials, advertising expenditures, and other indirect purchases in connection with conducting our business. The aggregate amount of purchase orders and other commitments open as of December 29, 2018 was approximately \$354.6 million. We cannot determine the aggregate amount of such purchase orders that represent contractual obligations because purchase orders may represent authorizations to purchase rather than binding agreements. Our purchase orders are based on our current needs and are typically fulfilled within short periods of time.

We may be required to make significant cash outlays related to unrecognized tax benefits. However, due to the uncertainty of the timing of future cash flows associated with our unrecognized tax benefits, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities. Accordingly, unrecognized tax benefits of \$118.3 million as of December 29, 2018, have been excluded from the contractual obligations table above. For further information related to unrecognized tax benefits, see Note 2, "Income Taxes", and Note 6 to the consolidated financial statements included in this Report.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

### **Market Sensitivity**

We have market risk primarily in connection with the pricing of our products and services and the purchase of raw materials. Product pricing and raw materials costs are both significantly influenced by semiconductor market conditions. Historically, during cyclical industry downturns, we have been able to offset pricing declines for our products through a combination of improved product mix and success in obtaining price reductions in raw materials costs.

### **Inflation**

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully

offset such higher costs through price increases. Our inability or failure to do so could adversely affect our business, financial condition and results of operations.

### **Foreign Currency Exchange Rate Risk**

The operation of Garmin's subsidiaries in international markets results in exposure to movements in currency exchange rates. We have experienced significant foreign currency gains and losses due to the strengthening and weakening of the U.S. dollar. The potential of volatile foreign exchange rate fluctuations in the future could have a significant effect on our results of operations. The Company has not historically hedged its foreign currency exchange rate risks.

The currencies that create a majority of the Company's exchange rate exposure are the Taiwan Dollar, Euro, and British Pound Sterling. Garmin Corporation, headquartered in Xizhi, Taiwan, uses the local currency as the functional currency. The Company translates all assets and liabilities at year-end exchange rates and income and expense accounts at average rates during the year. In order to minimize the effect of the currency exchange fluctuations on our net assets, we have elected to retain most of our Taiwan subsidiary's cash and investments in accounts denominated in U.S. Dollars.

Most European subsidiaries use the Euro as the functional currency. However, the functional currency of our largest European subsidiary, Garmin (Europe) Ltd., is the U.S. Dollar, and as some transactions have occurred in British Pounds Sterling or Euros, foreign currency gains or losses have been realized historically related to the movements of those currencies relative to the U.S. Dollar. The Company believes that gains and losses will become more material in the future as our European presence grows.

During fiscal year 2018, the Company incurred a net foreign currency loss of \$7.6 million. The strengthening of the U.S. Dollar against the Euro and the British Pound Sterling was offset by the U.S. Dollar strengthening against the Taiwan Dollar. During fiscal 2018, the U.S. Dollar strengthened 4.7% against the Euro and 6.0% against the British Pound Sterling, resulting in losses of \$10.0 million and \$1.7 million, respectively, while the U.S. Dollar strengthened 3.0% against the Taiwan Dollar, resulting in a gain of \$15.1 million. The remaining net currency loss of \$11.0 million was related to timing of transactions and impacts of other currencies, each of which was individually immaterial. These and other currency moves during fiscal year 2018 also resulted in a currency translation adjustment of \$32.0 million within accumulated other comprehensive income.

We assessed the Company's exposure to movements in currency exchange rates by performing a sensitivity analysis of adverse changes in exchange rates and the corresponding impact to our results of operations. Based on monetary assets and liabilities denominated in currencies other than respective functional currencies as of December 29, 2018 and December 30, 2017, hypothetical and reasonably possible adverse changes of 10% for the Taiwan Dollar, Euro, and British Pound Sterling would have resulted in an adverse impact on income before income taxes of approximately \$109 million and \$96 million at December 29, 2018 and December 30, 2017, respectively.

### **Interest Rate Risk**

We have no outstanding long-term debt as of December 29, 2018. We, therefore, have no meaningful debt-related interest rate risk.

We are exposed to interest rate risk in connection with our investments in marketable securities. As interest rates change, the unrealized gains and losses associated with those securities will fluctuate accordingly.

The Company's investment policy targets low risk investments with the objective of minimizing the potential risk of principal loss. The Company does not intend to sell securities in an unrealized loss position and it is not more likely than not that the Company will be required to sell such investments before recovery of their amortized costs bases, which may be maturity. During 2018 and 2017, the Company did not record any material impairment charges on its outstanding securities.

We assessed the Company's exposure to interest rate risk by performing a sensitivity analysis of a parallel shift in the yield curve and the corresponding impact to the Company's portfolio of marketable securities. Based on balance sheet positions as of December 29, 2018 and December 30, 2017, the hypothetical and reasonably possible 100 basis point increases in interest rates across all securities would have resulted in declines in portfolio fair market value of approximately \$38 million and \$42 million at December 29, 2018 and December 30, 2017, respectively. Such losses would only be realized if the Company sold the investments prior to maturity.

**Item 8. Financial Statements and Supplementary Data**

**CONSOLIDATED FINANCIAL STATEMENTS**

Garmin Ltd. and Subsidiaries  
Years Ended December 29, 2018, December 30, 2017, and December 31, 2016

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## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Garmin Ltd. and Subsidiaries

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Garmin Ltd. and Subsidiaries (the Company) as of December 29, 2018 and December 30, 2017, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 29, 2018 and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 29, 2018 and December 30, 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 29, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 29, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 20, 2019, expressed an unqualified opinion thereon.

### **Adoption of New Accounting Standard**

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for revenue in 2018 due to the adoption of Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), and the related amendments.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1990.

Kansas City, Missouri

February 20, 2019

**Garmin Ltd. And Subsidiaries**  
**Consolidated Balance Sheets**  
*(In thousands, except per share information)*

	December 29, 2018	December 30, 2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,201,732	\$ 891,488
Marketable securities <i>(Note 3)</i>	182,989	161,687
Accounts receivable, less allowance for doubtful accounts of \$5,487 in 2018 and \$4,168 in 2017	569,833	590,882
Inventories	561,840	517,644
Deferred costs	28,462	30,525
Prepaid expenses and other current assets	120,512	153,912
Total current assets	2,665,368	2,346,138
Property and equipment, net		
Land and improvements	131,689	114,701
Building and improvements	539,177	482,794
Office furniture and equipment	264,818	246,107
Manufacturing equipment	162,077	156,119
Engineering equipment	154,742	141,321
Vehicles	20,991	21,115
	1,273,494	1,162,157
Accumulated depreciation	(609,967)	(566,473)
	663,527	595,684
Restricted cash <i>(Note 4)</i>	73	271
Marketable securities <i>(Note 3)</i>	1,330,123	1,260,033
Deferred income taxes <i>(Note 6)</i>	176,959	195,981
Noncurrent deferred costs	29,473	33,029
Intangible assets, net	417,080	409,801
Other assets	100,255	107,352
Total assets	\$ 5,382,858	\$ 4,948,289
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 204,985	\$ 169,640
Salaries and benefits payable	113,087	102,802
Accrued warranty costs	38,276	36,827
Accrued sales program costs	90,388	93,250
Deferred revenue	96,372	103,140
Accrued royalty costs	24,646	32,204
Accrued advertising expense	31,657	30,987
Other accrued expenses	69,777	93,652
Income taxes payable	51,642	33,638
Dividend payable	200,483	95,975
Total current liabilities	921,313	792,115
Deferred income taxes <i>(Note 6)</i>	92,944	76,612
Noncurrent income taxes	127,211	138,295
Noncurrent deferred revenue	76,566	87,060
Other liabilities	1,850	1,788
Stockholders' equity:		
Shares, CHF 0.10 par value, 198,077 shares authorized and issued, 189,461 shares outstanding at December 29, 2018; and 188,189 shares outstanding at December 30, 2017; <i>(Notes 9, 10, and 11):</i>	17,979	17,979
Additional paid-in capital	1,823,638	1,828,386
Treasury stock	(397,692)	(468,818)
Retained earnings	2,710,619	2,418,444
Accumulated other comprehensive income	8,430	56,428
Total stockholders' equity	4,162,974	3,852,419
Total liabilities and stockholders' equity	\$ 5,382,858	\$ 4,948,289

See accompanying notes.

**Garmin Ltd. And Subsidiaries**  
**Consolidated Statements of Income**  
*(In thousands, except per share information)*

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Net sales	\$ 3,347,444	\$ 3,121,560	\$ 3,045,797
Cost of goods sold	<u>1,367,725</u>	<u>1,323,619</u>	<u>1,357,272</u>
Gross profit	1,979,719	1,797,941	1,688,525
Advertising expense	155,394	164,693	177,143
Selling, general and administrative expenses	478,177	437,977	410,558
Research and development expense	<u>567,805</u>	<u>511,634</u>	<u>467,960</u>
	<u>1,201,376</u>	<u>1,114,304</u>	<u>1,055,661</u>
Operating income	778,343	683,637	632,864
Other income (expense):			
Interest income	47,147	36,925	33,406
Foreign currency losses	(7,616)	(22,579)	(31,651)
Other income (expense)	<u>5,373</u>	<u>(912)</u>	<u>4,006</u>
	<u>44,904</u>	<u>13,434</u>	<u>5,761</u>
Income before income taxes	823,247	697,071	638,625
Income tax provision (benefit): <i>(Note 6)</i>			
Current	93,424	79,234	117,842
Deferred	<u>35,743</u>	<u>(91,170)</u>	<u>3,059</u>
	<u>129,167</u>	<u>(11,936)</u>	<u>120,901</u>
Net income	<u>\$ 694,080</u>	<u>\$ 709,007</u>	<u>\$ 517,724</u>
Basic net income per share <i>(Note 10)</i>	<u>\$ 3.68</u>	<u>\$ 3.77</u>	<u>\$ 2.74</u>
Diluted net income per share <i>(Note 10)</i>	<u>\$ 3.66</u>	<u>\$ 3.76</u>	<u>\$ 2.73</u>

See accompanying notes.



**Garmin Ltd. And Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
*(In thousands)*

	<b>Fiscal Year Ended</b>		
	<b>December 29, 2018</b>	<b>December 30, 2017</b>	<b>December 31, 2016</b>
Net income	\$ 694,080	\$ 709,007	\$ 517,724
Foreign currency translation adjustment	(31,965)	88,965	4,434
Change in fair value of available-for-sale marketable securities, net of deferred taxes	(15,581)	4,486	(11,029)
Comprehensive income	<u>\$ 646,534</u>	<u>\$ 802,458</u>	<u>\$ 511,129</u>

*See accompanying notes.*

**Garmin Ltd. And Subsidiaries**  
**Consolidated Statements of Stockholders' Equity**  
(In thousands)

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance at December 26, 2015</b>	\$ 1,797,435	\$ 62,239	\$ (414,637)	\$ 1,959,125	\$ (30,428)	\$ 3,373,734
Net income	-	-	-	517,724	-	517,724
Translation adjustment	-	-	-	-	4,434	4,434
Adjustment related to unrealized gains (losses) on available-for-sale securities net of income tax effects of \$1,094	-	-	-	-	(11,029)	(11,029)
Comprehensive income	-	-	-	-	-	511,129
Dividends declared	-	-	-	(384,629)	-	(384,629)
Tax benefit from issuance of equity awards	-	(6,309)	-	-	-	(6,309)
Issuance of treasury stock related to equity awards	-	(40,589)	59,237	-	-	18,648
Stock compensation	-	41,250	-	-	-	41,250
Purchase of treasury stock related to equity awards	-	-	(7,331)	-	-	(7,331)
Purchase of treasury stock under share repurchase plan	-	-	(93,233)	-	-	(93,233)
Reduction in par value of Common Stock	(1,779,456)	1,779,456	-	-	-	-
<b>Balance at December 31, 2016</b>	\$ 17,979	\$ 1,836,047	\$ (455,964)	\$ 2,092,220	\$ (37,023)	\$ 3,453,259
Net income	-	-	-	709,007	-	709,007
Translation adjustment	-	-	-	-	88,965	88,965
Adjustment related to unrealized gains (losses) on available-for-sale securities net of income tax effects of \$493	-	-	-	-	4,486	4,486
Comprehensive income	-	-	-	-	-	802,458
Dividends declared	-	-	-	(382,783)	-	(382,783)
Issuance of treasury stock related to equity awards	-	(52,581)	74,442	-	-	21,861
Stock compensation	-	44,735	-	-	-	44,735
Purchase of treasury stock related to equity awards	-	185	(12,773)	-	-	(12,588)
Purchase of treasury stock under share repurchase plan	-	-	(74,523)	-	-	(74,523)
<b>Balance at December 30, 2017</b>	\$ 17,979	\$ 1,828,386	\$ (468,818)	\$ 2,418,444	\$ 56,428	\$ 3,852,419
Net income	-	-	-	694,080	-	694,080
Translation adjustment	-	-	-	-	(31,965)	(31,965)
Adjustment related to unrealized gains (losses) on available-for-sale securities net of income tax effects of \$2,174	-	-	-	-	(15,581)	(15,581)
Comprehensive income	-	-	-	-	-	646,534
Dividends declared	-	-	-	(400,657)	-	(400,657)
Issuance of treasury stock related to equity awards	-	(61,139)	87,781	-	-	26,642
Stock compensation	-	56,391	-	-	-	56,391
Purchase of treasury stock related to equity awards	-	-	(16,655)	-	-	(16,655)
Reclassification under ASU 2016-16	-	-	-	(1,700)	-	(1,700)
Reclassification under ASU 2018-02	-	-	-	452	(452)	-
<b>Balance at December 29, 2018</b>	\$ 17,979	\$ 1,823,638	\$ (397,692)	\$ 2,710,619	\$ 8,430	\$ 4,162,974

See accompanying notes.

**Garmin Ltd. And Subsidiaries**  
**Consolidated Statements of Cash Flows**  
*(In thousands)*

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
<b>Operating Activities:</b>			
Net income	\$ 694,080	\$ 709,007	\$ 517,724
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	64,798	59,895	55,796
Amortization	31,396	26,357	30,544
Gain on sale of property and equipment	(479)	(230)	(503)
Provision for doubtful accounts	2,123	1,021	4,136
Provision for obsolete and slow-moving inventories	24,579	31,071	26,458
Unrealized foreign currency losses	13,790	21,681	13,125
Deferred income taxes	38,978	(90,000)	3,745
Stock compensation expense	56,391	44,735	41,250
Realized losses (gains) on marketable securities	827	991	(822)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	5,167	(40,088)	9,000
Inventories	(82,316)	(38,575)	(2,455)
Other current and non-current assets	7,358	(21,608)	2,234
Accounts payable	40,628	(17,240)	(11,496)
Other current and non-current liabilities	(1,323)	5,627	44,766
Deferred revenue	(17,208)	(20,754)	(32,733)
Deferred costs	5,611	2,395	1,896
Income taxes payable	35,120	(13,443)	3,017
Net cash provided by operating activities	<u>919,520</u>	<u>660,842</u>	<u>705,682</u>
<b>Investing activities:</b>			
Purchases of property and equipment	(155,755)	(139,696)	(90,960)
Proceeds from sale of property and equipment	1,600	361	676
Purchase of intangible assets	(4,600)	(12,232)	(5,715)
Purchase of marketable securities	(403,181)	(587,656)	(905,089)
Redemption of marketable securities	283,603	635,311	957,350
Acquisitions, net of cash acquired	<u>(29,170)</u>	<u>(90,471)</u>	<u>(77,945)</u>
Net cash used in investing activities	(307,503)	(194,383)	(121,683)
<b>Financing activities:</b>			
Dividends	(296,148)	(382,976)	(481,452)
Tax benefit from issuance of equity awards	-	-	1,692
Proceeds from issuance of treasury stock related to equity awards	26,642	21,860	18,648
Purchase of treasury stock related to equity awards	(16,655)	(12,773)	(7,331)
Purchase of treasury stock under share repurchase plan	<u>-</u>	<u>(74,523)</u>	<u>(93,233)</u>
Net cash used in financing activities	(286,161)	(448,412)	(561,676)
Effect of exchange rate changes on cash and cash equivalents	<u>(15,810)</u>	<u>26,716</u>	<u>(8,656)</u>
Net increase in cash, cash equivalents, and restricted cash	310,046	44,763	13,667
Cash, cash equivalents, and restricted cash at beginning of year	<u>891,759</u>	<u>846,996</u>	<u>833,329</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 1,201,805</u>	<u>\$ 891,759</u>	<u>\$ 846,996</u>

See accompanying notes.

**Garmin Ltd. And Subsidiaries**  
**Consolidated Statements of Cash Flows (continued)**  
*(In thousands)*

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
<b>Supplemental disclosures of cash flow information</b>			
Cash paid during the year for income taxes	\$ 67,592	\$ 106,146	\$ 115,548
Cash received during the year from income tax refunds	\$ 6,122	\$ 3,806	\$ 4,275
<b>Supplemental disclosure of non-cash investing and financing activities</b>			
(Decrease) increase in accrued capital expenditures related to purchases of property and equipment	\$ (14,647)	\$ 13,864	\$ 2,154
Change in marketable securities related to unrealized (depreciation) appreciation	\$ (17,755)	\$ 4,979	\$ (12,123)
Fair value of assets acquired	\$ 31,920	\$ 128,190	\$ 91,620
Liabilities assumed	(2,273)	(29,587)	(6,344)
Less: cash acquired	(477)	(8,132)	(7,331)
Cash paid for acquisitions, net of cash acquired	\$ 29,170	\$ 90,471	\$ 77,945

*See accompanying notes.*

**GARMIN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(In thousands, except share and per share information)*  
*December 29, 2018 and December 30, 2017*

## **1. Description of the Business**

Garmin Ltd. and subsidiaries (together, the “Company”) design, develop, manufacture, market, and distribute a diverse family of hand-held, wrist-based, portable, and fixed-mount Global Positioning System (GPS)-enabled products and other navigation, communications, information and sensor-based products. Garmin Corporation (GC) is primarily responsible for the manufacturing and distribution of the Company’s products to the Company’s subsidiaries and, to a lesser extent, new product development and sales and marketing of the Company’s products in Asia and the Far East. Garmin International, Inc. (GII) is primarily responsible for sales and marketing of the Company’s products in the Americas region and for most of the Company’s research and new product development. GII also manufactures most of the Company’s products in the aviation segment. Garmin (Europe) Ltd. (GEL) is responsible for sales and marketing of the Company’s products in Europe, the Middle East and Africa (EMEA). Many of GEL’s sales are to other Company-owned distributors in the EMEA region.

## **2. Summary of Significant Accounting Policies**

### **Basis of Presentation and Principles of Consolidation**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The accompanying consolidated financial statements reflect the accounts of Garmin Ltd. and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated.

As previously announced and discussed below within the “Recently Adopted Accounting Standards” section of this footnote, effective beginning in the 2018 fiscal year, we adopted the requirements of Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606), using the full retrospective method. All amounts and disclosures set forth in this Form 10-K reflect these changes. Further, as a result of the adoption of certain other accounting standards described below, effective beginning in the 2018 fiscal year, certain amounts in prior periods have been reclassified to conform to the current period presentation.

### **Fiscal Year**

The Company’s fiscal year is based on a 52-53-week period ending on the last Saturday of the calendar year. Due to the fact that there are not exactly 52 weeks in a calendar year, and there is slightly more than one additional day per year (not including the effects of leap year) in each calendar year as compared to a 52-week fiscal year, the Company will have a fiscal year comprising 53 weeks in certain fiscal years, as determined by when the last Saturday of the calendar year occurs.

In those resulting fiscal years that have 53 weeks, the Company will record an extra week of sales, costs, and related financial activity. Therefore, the financial results of those 53-week fiscal years, and the associated 14-week fourth quarters, will not be entirely comparable to the prior and subsequent 52-week fiscal years and the associated 13-week quarters. Fiscal years 2018 and 2017 included 52 weeks while fiscal 2016 included 53 weeks.

### **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

## **Foreign Currency**

Many Garmin Ltd. subsidiaries utilize currencies other than the United States Dollar (USD) as their functional currency. As required by the Foreign Currency Matters topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the financial statements of these subsidiaries for all periods presented have been translated into USD, the functional currency of Garmin Ltd., and the reporting currency herein, for purposes of consolidation at rates prevailing during the year for sales, costs, and expenses and at end-of-year rates for all assets and liabilities. The effect of this translation is recorded in a separate component of stockholders' equity. Cumulative currency translation adjustments of \$47,327 and \$79,292 as of December 29, 2018 and December 30, 2017, respectively, have been included in accumulated other comprehensive income in the accompanying consolidated balance sheets.

Transactions in foreign currencies are recorded at the approximate rate of exchange at the transaction date. Assets and liabilities resulting from these transactions are translated at the rate of exchange in effect at the balance sheet date. The majority of the Company's consolidated foreign currency gain or loss is typically driven by the significant cash and marketable securities, receivables, and payables held in a currency other than the functional currency at a given legal entity. Net foreign currency losses recorded in results of operations were \$7,616, \$22,579, and \$31,651 for the years ended December 29, 2018, December 30, 2017, and December 31, 2016, respectively. The loss in fiscal 2018 was due primarily to the USD strengthening against the Euro and British Pound Sterling, offset by the USD strengthening against the Taiwan Dollar. The loss in fiscal 2017 was due primarily to the USD weakening against the Taiwan Dollar, which was partially offset by the USD weakening against the Euro and British Pound Sterling. The loss in fiscal 2016 was due primarily to the USD weakening against the Taiwan Dollar and the USD strengthening against the Euro and British Pound Sterling.

## **Earnings Per Share**

Basic earnings per share amounts are computed based on the weighted-average number of common shares outstanding. For purposes of diluted earnings per share, the number of shares that would be issued from the exercise of dilutive share-based compensation awards has been reduced by the number of shares which could have been purchased from the proceeds of the exercise or release at the average market price of the Company's stock during the period the awards were outstanding. See Note 10.

## **Cash, Cash Equivalents, and Restricted Cash**

Cash and cash equivalents include cash on hand, operating accounts, money market funds, deposits readily convertible to known amounts of cash, and securities with maturities of three months or less when purchased. The carrying amount of cash and cash equivalents approximates fair value, given the short maturity of those instruments. Restricted cash is reported separately from cash and cash equivalents on the consolidated balance sheets. See Note 4 for additional information on restricted cash.

The total of cash and cash equivalents and restricted cash balances presented on the consolidated balance sheet reconciles to the total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows.

## **Trade Accounts Receivable**

The Company sells its products to retailers, wholesalers, and other customers and extends credit based on its evaluation of the customer's financial condition. Potential losses on receivables are dependent on each individual customer's financial condition. The Company carries its trade accounts receivable at net realizable value. Typically, its accounts receivable are collected within 80 days and do not bear interest. The Company monitors its exposure to losses on receivables and maintains allowances for potential losses or adjustments. The Company determines these allowances by (1) evaluating the aging of its receivables and (2) reviewing its high-risk customers. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. The Company maintains trade credit insurance to provide security against large losses.

## Concentration of Credit Risk

The Company grants credit to certain customers who meet the Company's pre-established credit requirements. Generally, the Company does not require security when trade credit is granted to customers. Credit losses are provided for in the Company's consolidated financial statements and typically have been within management's expectations. Certain customers are allowed extended terms consistent with normal industry practice. Most of these extended terms can be classified as either relating to seasonal sales variations or to the timing of new product releases by the Company.

The Company's top ten customers have contributed between 21% and 24% of net sales annually since 2016. None of the Company's customers accounted for more than or equal to 10% of consolidated net sales in the years ended December 29, 2018, December 30, 2017, and December 31, 2016, respectively.

## Inventories

Inventories are stated at the lower of cost or market with cost being determined on a first-in, first-out (FIFO) basis. The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated net realizable value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required. Inventories consisted of the following:

	<u>December 29, 2018</u>	<u>December 30, 2017</u>
Raw materials	\$ 205,696	\$ 179,659
Work-in-process	96,564	75,754
Finished goods	259,580	262,231
Inventories	<u>\$ 561,840</u>	<u>\$ 517,644</u>

## Property and Equipment

Property and equipment are recorded at cost and typically depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	39-50
Office furniture and equipment	3-5
Manufacturing and engineering equipment	5-10
Vehicles	5

As required by the *Property, Plant and Equipment* topic of the FASB ASC, the Company reviews property and equipment assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be fully recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. That assessment is based on the carrying amount of the asset at the date it is tested for recoverability. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

## Intangible Assets

At December 29, 2018, and December 30, 2017, the Company had patents, customer related intangibles and other identifiable finite-lived intangible assets recorded at a cost of \$330,532 and \$316,705, respectively. Identifiable, finite-lived intangible assets are amortized over their estimated useful lives on a straight-line basis typically over three to ten years. Accumulated amortization was \$214,469 and \$193,886 at December 29, 2018 and December 30, 2017, respectively. Amortization expense on these intangible assets was \$21,796, \$20,863, and \$14,319 for the years ended December 29, 2018, December 30, 2017, and December 31, 2016, respectively. In the

next five years, the amortization expense is estimated to be \$17,107, \$15,125, \$11,674, \$9,390, and \$8,452, respectively.

The Company's excess purchase cost over fair value of net assets acquired (goodwill) was \$301,017 at December 29, 2018, and \$286,982 at December 30, 2017.

	December 29, 2018	December 30, 2017
Goodwill balance at beginning of year	\$ 286,982	\$ 224,553
Acquisitions	16,768	58,332
Finalization of purchase price allocations and effect of foreign currency translation	(2,733)	4,097
Goodwill balance at end of year	<u>\$ 301,017</u>	<u>\$ 286,982</u>

The *Intangibles – Goodwill and Other* topic of the FASB ASC (ASC Topic 350) requires that goodwill and intangible assets with indefinite useful lives should not be amortized but rather be tested for impairment at least annually or sooner whenever events or changes in circumstances indicate that they may be impaired. The Company performs its annual goodwill and intangible asset impairment tests in the fourth quarter of each year. ASC Topic 350 allows management to first perform a qualitative assessment (“step zero”) by assessing the qualitative factors of relevant events and circumstances at the reporting unit level to determine if it is necessary to perform the quantitative goodwill impairment test (“step one”). If factors indicate that it is more likely than not that the fair value of the reporting unit is less than the carrying amount, then the step one assessment will be performed. If the fair value of the reporting unit is less than the carrying amount in step one, then goodwill impairment will be recognized, and the charge is determined through the “step two” analysis.

Each of the Company's operating segments (auto PND, auto OEM, aviation, marine, outdoor, and fitness) represents a distinct reporting unit. The auto PND market has declined in recent years as competing technologies have emerged and market saturation has occurred. This has resulted in periods of lower revenues and profits for the Company's auto PND reporting unit. Considering these qualitative factors, management performed a step one quantitative goodwill impairment assessment of the auto PND reporting unit in the fourth quarter of 2018. Management determined that the fair value of the reporting unit was substantially in excess of its carrying amount, and a step two analysis was therefore not performed. However, considering the uncertainty of future operating results and/or market conditions deteriorating faster or more drastically than the forecasts utilized in management's estimation of fair value, management believes some or all of the approximately \$80 million of goodwill associated with the Company's auto PND reporting unit is at risk of future impairment. Management concluded that no other reporting units are currently at risk of impairment.

The Company did not recognize any material goodwill or intangible asset impairment charges in 2018, 2017, or 2016.

## **Dividends**

Under Swiss corporate law, dividends must be approved by shareholders at the general meeting of the Company's shareholders.

On June 8, 2018, the shareholders approved a dividend of \$2.12 per share (of which, \$1.06 was paid in the Company's 2018 fiscal year) payable in four equal installments on dates determined by the Board of Directors. The dates determined by the Board were as follows:



<u>Dividend Date</u>	<u>Record Date</u>	<u>\$s per share</u>
June 29, 2018	June 18, 2018	\$ 0.53
September 28, 2018	September 14, 2018	\$ 0.53
December 31, 2018	December 14, 2018	\$ 0.53
March 29, 2019	March 15, 2019	\$ 0.53

The Company paid dividends in 2018 in the amount of \$296,148, which included three dividend distributions in the fiscal year. Both the dividends paid and the remaining dividend payable were reported as a reduction of retained earnings.

On June 9, 2017, the shareholders approved a dividend of \$2.04 per share (of which, \$1.53 was paid in the Company's 2017 fiscal year) payable in four equal installments on dates determined by the Board of Directors. The dates determined by the Board were as follows:

<u>Dividend Date</u>	<u>Record Date</u>	<u>\$s per share</u>
June 30, 2017	June 19, 2017	\$ 0.51
September 29, 2017	September 15, 2017	\$ 0.51
December 29, 2017	December 15, 2017	\$ 0.51
March 30, 2018	March 15, 2018	\$ 0.51

The Company paid dividends in 2017 in the amount of \$382,976, which included four dividend distributions in the fiscal year. Both the dividends paid and the remaining dividend payable were reported as a reduction of retained earnings.

On June 10, 2016, the shareholders approved a dividend of \$2.04 per share (of which, \$1.53 was paid in the Company's 2016 fiscal year) payable in four equal installments on dates determined by the Board of Directors. The dates determined by the Board were as follows:

<u>Dividend Date</u>	<u>Record Date</u>	<u>\$s per share</u>
June 30, 2016	June 16, 2016	\$ 0.51
September 30, 2016	September 15, 2016	\$ 0.51
December 30, 2016	December 14, 2016	\$ 0.51
March 31, 2017	March 15, 2017	\$ 0.51

The Company paid dividends in 2016 in the amount of \$481,452, which included five dividend distributions in the fiscal year. Both the dividends paid and the remaining dividend payable were reported as a reduction of retained earnings.

Approximately \$61,129 and \$304,674 of retained earnings was indefinitely restricted from distribution to stockholders pursuant to the laws of Taiwan at December 29, 2018 and December 30, 2017, respectively.

### **Marketable Securities**

Management determines the appropriate classification of marketable securities at the time of purchase and reevaluates such designation as of each balance sheet date.

All of the Company's marketable securities were considered available-for-sale at December 29, 2018. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive income. At December 29, 2018 and December 30, 2017, cumulative unrealized net losses of \$38,897 and \$22,864, respectively, were reported in accumulated other comprehensive income, net of related taxes.

Investments are reviewed periodically to determine if they have suffered an impairment of value that is considered other than temporary. If investments are determined to be impaired, a loss is recognized at the date of determination.

Testing for impairment of investments requires significant management judgment. The identification of potentially impaired investments, the determination of their fair value, and the assessment of whether any decline in value is other than temporary are the key judgment elements. The discovery of new information and the passage of time can significantly change these judgments. Revisions of impairment judgments are made when new information becomes known, and any resulting impairment adjustments are made at that time. The economic environment and volatility of securities markets increase the difficulty of determining fair value and assessing investment impairment.

The amortized cost of debt securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage-backed securities, over the estimated life of the security. Such amortization is included in interest income from investments. Realized gains and losses, and credit declines in value judged to be other-than-temporary are included in other income. The cost of securities sold is based on the specific identification method.

Investments are discussed in detail in Note 3 of the Notes to Consolidated Financial Statements.

### **Income Taxes**

The Company accounts for income taxes using the liability method in accordance with the FASB ASC 740 topic *Income Taxes*. The liability method provides that deferred tax assets and liabilities are recorded based on the difference between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes as measured based on the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

The Company accounts for uncertainty in income taxes in accordance with the FASB ASC 740 topic *Income Taxes*. The Company recognizes liabilities based on our estimate of whether, and the extent to which, additional taxes will be due. If payment of these amounts ultimately proves not to be required, the reversal of the liabilities would result in tax benefits being recognized in the period when the Company determines the liabilities are no longer necessary. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result.

Income taxes are discussed in detail in Note 6 of the Notes to Consolidated Financial Statements.

### **Revenue Recognition**

The Company recognizes revenue upon the transfer of control of promised products or services to the customer in an amount that depicts the consideration the Company expects to be entitled to for the related products or services. For the large majority of the Company's sales, transfer of control occurs once product has shipped and title and risk of loss have transferred to the customer. The Company offers certain tangible products with ongoing services promised over a period of time, typically the useful life of the related tangible product. When we have identified such services as both capable of being distinct and separately identifiable from the related tangible product, the associated revenue allocated to such services is recognized over time. The Company generally does not offer specified or unspecified upgrade rights to its customers in connection with software sales.

For products that include tangible hardware that contains software essential to the tangible product's functionality and ongoing services identified as separately identifiable performance obligations, the Company allocates revenue to all performance obligations based on their relative standalone selling prices ("SSP"), with the amounts allocated to ongoing services deferred and recognized over a period of time. These ongoing services primarily consist of the Company's contractual promises to provide personal navigation device (PND) users with

lifetime map updates (LMU) and server-based traffic services. In addition, we provide map update services (map care) over a contractual period in certain hardware and software contracts with original equipment manufacturers (OEMs). The Company has determined that directly observable prices do not exist for LMU, map care, or server-based traffic, as stand-alone and unbundled unit sales do not occur on more than a limited basis. Therefore, the Company uses the expected cost plus a margin as the primary indicator to calculate relative SSP of the LMU, map care, and traffic performance obligations. The revenue and associated costs allocated to the LMU, map care, and/or the server-based traffic service are deferred and recognized ratably over the estimated life of the products of approximately 3 years for PNDs, or the estimated map care period in OEM contracts of 3-10 years as we believe our efforts related to providing these services are spread evenly throughout the performance period. In addition to the products listed above, the Company has offered certain other products with ongoing performance obligations including mobile applications, incremental navigation and/or communication service subscriptions, aviation database subscriptions, and extended warranties that are individually immaterial.

The Company records revenue net of sales tax and variable consideration such as trade discounts and customer returns. Payment is due typically within 90 days or less of shipment of product, or upon the grant of a given software license (as applicable). The Company records estimated reductions to revenue in the form of variable consideration for customer sales programs, returns, and incentive offerings including rebates, price protection (product discounts offered to retailers to assist in clearing older products from their inventories in advance of new product releases), promotions, and other volume-based incentives. Cooperative advertising incentives payable to dealers and distributors are recorded as reductions of revenue unless we obtain proof of a distinct advertising service, in which case we record the incentive as advertising expense. The reductions to revenue are based on estimates and judgments using historical experience and expectation of future conditions. Changes in these estimates could negatively affect the Company's operating results. These incentives are reviewed periodically and, with the exceptions of price protection and certain other promotions, typically accrued for on a percentage of sales basis.

#### **Deferred Revenues and Costs**

At December 29, 2018 and December 30, 2017, the Company had deferred revenues totaling \$172,938 and \$190,200, respectively, and related deferred costs totaling \$57,935 and \$63,554, respectively.

Deferred revenue consists primarily of the transaction price allocated to performance obligations that are recognized over a period of time basis as discussed in the *Revenue Recognition* portion of this footnote. Billings associated with such items are typically completed upon the transfer of control of promised products or services to the customer and recorded to accounts receivable until payment is received. Deferred costs primarily refer to the royalties incurred by the Company associated with the aforementioned unsatisfied performance obligations, which are amortized over the same period as the revenue is recognized. The Company typically pays the associated royalties either monthly or quarterly in arrears, on a per item shipped or installed basis.

The Company applies a practical expedient, as permitted within ASC 340, to expense as incurred the incremental costs to obtain a contract when the amortization period of the asset that would have otherwise been recognized is one year or less.

#### **Shipping and Handling Costs**

Shipping and handling activities are typically performed before the customer obtains control of the good, and the related costs are therefore expensed as incurred. Shipping and handling costs are included in cost of goods sold in the accompanying consolidated financial statements.

#### **Product Warranty**

The Company accrues for estimated future warranty costs at the time products are sold. The Company's standard warranty obligation to retail partners generally provides for a right of return of any product for a full refund in the event that such product is not merchantable, is damaged, or is defective. The Company's historical experience

is that these types of warranty obligations are generally fulfilled within 5 months from time of sale. The Company's standard warranty obligation to its end-users provides for a period of one to two years from date of shipment while certain aviation, marine, and auto OEM products have a warranty period of two years or more from the date of installation. The Company's estimates of costs to service its warranty obligations are based on historical experience and management's expectations and judgments of future conditions. To the extent the Company experiences increased warranty claim activity or increased costs associated with servicing those claims, its warranty accrual will increase, resulting in decreased gross profit. The following reconciliation provides an illustration of changes in the aggregate warranty accrual:

	<b>Fiscal Year Ended</b>		
	<b>December 29, 2018</b>	<b>December 30, 2017</b>	<b>December 31, 2016</b>
Balance - beginning of period	\$ 36,827	\$ 37,233	\$ 30,449
Accrual for products sold <sup>(1)</sup>	59,374	56,360	61,578
Expenditures	(57,925)	(56,766)	(54,794)
Balance - end of period	<u>\$ 38,276</u>	<u>\$ 36,827</u>	<u>\$ 37,233</u>

(1) Changes in cost estimates related to pre-existing warranties are not material and aggregated with accruals for new warranty contracts in the 'accrual for products sold' line.

#### **Advertising Costs**

The Company expenses advertising costs as incurred. Advertising expense amounted to approximately \$155,394, \$164,693, and \$177,143 for the years ended December 29, 2018, December 30, 2017, and December 31, 2016, respectively.

#### **Research and Development**

A majority of the Company's research and development is performed in the United States. Research and development costs, which are typically expensed as incurred, amounted to approximately \$567,805, \$511,634, and \$467,960 for the years ended December 29, 2018, December 30, 2017, and December 31, 2016, respectively.

#### **Customer Service and Technical Support**

Customer service and technical support costs are included as selling, general and administrative expenses in the accompanying consolidated statements of income. Customer service and technical support costs include costs associated with performing order processing, answering customer inquiries by telephone and through websites, e-mail and other electronic means, and providing free technical support assistance to customers. The technical support is typically provided within one year after the associated revenue is recognized. The related cost of providing this free support is not material.

#### **Software Development Costs**

The FASB ASC topic entitled *Software* requires companies to expense software development costs as they incur them until technological feasibility has been established, at which time those costs are capitalized until the product is available for general release to customers. The Company's capitalized software development costs are not significant as the time elapsed from working model to release is typically short. As required by the Research and Development topic of the FASB ASC, costs incurred to enhance our existing products or after the general release of the service using the product are expensed in the period they are incurred and included in research and development costs in the accompanying consolidated statements of income.

## **Accounting for Stock-Based Compensation**

The Company currently sponsors four stock-based employee compensation plans. The FASB ASC topic entitled *Compensation – Stock Compensation* requires the measurement and recognition of compensation expenses for all share-based payment awards made to employees and directors, including employee stock options and restricted stock, based on estimated fair values.

Accounting guidance requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as stock-based compensation expense over the requisite service period in the Company's consolidated financial statements.

As stock-based compensation expenses recognized in the accompanying consolidated statements of income are based on awards ultimately expected to vest, they have been reduced for estimated forfeitures. Accounting guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience and management's estimates.

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09")*, which is intended to simplify the accounting for share-based payment awards. The Company adopted ASU 2016-09 on a prospective basis during the quarter ended April 1, 2017. ASU 2016-09 requires excess tax benefits or deficiencies from stock-based compensation to be recognized in the income tax provision. The Company previously recorded these amounts to additional paid-in capital. Additionally, under ASU 2016-09, excess tax benefits and deficiencies are not estimated in the effective tax rate, rather, they are recorded as discrete tax items in the period in which they occur. Excess income tax benefits from stock-based compensation arrangements are classified as a cash flow from operations under ASU 2016-09, rather than as a cash flow from financing activities.

Stock compensation plans are discussed in detail in Note 9 of the Notes to Consolidated Financial Statements.

## **Recently Adopted Accounting Standards**

### *Revenue from Contracts with Customers*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09")*, which supersedes previous revenue recognition guidance. The FASB issued several updates amending or relating to ASU 2014-09 (collectively, the "new revenue standard"). The Company has adopted the new revenue standard effective beginning in the 2018 fiscal year using the full retrospective method, which requires the Company to restate each prior reporting period presented in future financial statement issuances. The impacts of adopting the new revenue standard relate to our accounting for certain arrangements within the auto segment.

A portion of the Company's auto segment contracts have historically been accounted for under Accounting Standards Codification (ASC) Topic 985-605 *Software-Revenue Recognition (Topic 985-605)*. Under Topic 985-605, the Company deferred revenue and associated costs of all elements of multiple-element software arrangements if vendor-specific objective evidence of fair value (VSOE) could not be established for an undelivered element (e.g. map updates). In applying the new revenue standard to certain contracts that include both software licenses and map updates, we now recognize the portion of revenue and costs related to the software license at the time of delivery rather than ratably over the map update period.

Additionally, for certain multiple-element arrangements within the Company's auto segment, the Company's policy had been to allocate consideration to traffic services and recognize the revenue and associated cost of royalties ratably over the estimated life of the underlying product. Under the new revenue standard, we recognize revenue and associated costs of royalties related to certain broadcast traffic services at the time of hardware and/or software delivery. Specifically, the new revenue standard emphasizes the timing of the Company's

performance, and upon delivery of the navigation device and/or software, the Company has fully performed its obligation with respect to the design and production of the product to receive and interpret the broadcast traffic signal for the benefit of the end user.

The changes in accounting policy described above collectively result in reductions to deferred costs (asset) and deferred revenue (liability) balances, and accelerate the recognition of revenue and deferred costs in the auto segment going forward.

Summarized financial information depicting the impact of the new revenue standard is presented below. The Company's historical net cash flows provided by or used in operating, investing, and financing activities are not impacted by adoption of the new revenue standard.

	December 30, 2017			December 31, 2016		
	As reported	Restated <sup>(1)</sup>	Impact	As reported	Restated <sup>(1)</sup>	Impact
Current assets:						
Deferred costs	\$ 48,312	\$ 30,525	\$ (17,787)	\$ 47,395	\$ 34,665	\$ (12,730)
Total current assets	2,363,925	2,346,138	(17,787)	2,263,016	2,250,286	(12,730)
Deferred income taxes	199,343	195,981	(3,362)	110,293	107,655	(2,638)
Noncurrent deferred costs	73,851	33,029	(40,822)	56,151	30,934	(25,217)
Total assets	\$ 5,010,260	\$ 4,948,289	\$ (61,971)	\$ 4,525,133	\$ 4,484,549	\$ (40,584)
Current liabilities:						
Deferred revenue	139,681	103,140	(36,541)	146,564	118,496	(28,068)
Total current liabilities	828,656	792,115	(36,541)	782,735	754,667	(28,068)
Deferred income taxes	75,215	76,612	1,397	61,220	62,617	1,397
Non-current deferred revenue	163,840	87,060	(76,780)	140,407	91,238	(49,169)
Retained earnings	2,368,874	2,418,444	49,570	2,056,702	2,092,221	35,519
Accumulated other comprehensive income	56,045	56,428	383	(36,761)	(37,024)	(263)
Total stockholders' equity	3,802,466	3,852,419	49,953	3,418,003	3,453,259	35,256
Total liabilities and stockholders' equity	\$ 5,010,260	\$ 4,948,289	\$ (61,971)	\$ 4,525,133	\$ 4,484,549	\$ (40,584)

	52-Weeks Ended December 30, 2017			53-Weeks Ended December 31, 2016		
	As reported	Restated <sup>(1)</sup>	Impact	As reported	Restated <sup>(1)</sup>	Impact
Net sales	\$ 3,087,004	\$ 3,121,560	\$ 34,556	\$ 3,018,665	\$ 3,045,797	\$ 27,132
Gross profit	1,783,164	1,797,941	14,777	1,679,570	1,688,525	8,955
Operating income	668,860	683,637	14,777	623,909	632,864	8,955
Income tax (benefit) provision	(12,661)	(11,936)	725	118,856	120,901	2,045
Net income	\$ 694,955	\$ 709,007	\$ 14,052	\$ 510,814	\$ 517,724	\$ 6,910
Diluted net income per share	\$ 3.68	\$ 3.76	\$ 0.08	\$ 2.70	\$ 2.73	\$ 0.03

- (1) The Restated results presented above are restated under ASC Topic 606. Amounts related to the income tax effect of the new standard that were previously disclosed as the anticipated adoption impact in Note 2, Summary of Significant Accounting Policies, in the notes to the consolidated financial statements of our fiscal 2017 Annual Report on Form 10-K filed with the SEC on February 21, 2018 have been revised in this Note by immaterial amounts in connection with our adoption of ASC Topic 606.

#### *Financial Instruments – Recognition, Measurement, Presentation, and Disclosure*

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”). The standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The Company has adopted the new standard effective beginning in the 2018 fiscal year. The adoption did not have a material impact on the Company's financial position or results of operations.

### *Statement of Cash Flows*

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”), which adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. The standard addresses eight specific cash flow issues with the objective of reducing diversity in practice. In November 2016, the FASB issued Accounting Standards Update No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (“ASU 2016-18”), which requires restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling changes in the total amounts within the statement of cash flows. The Company has adopted the new standards effective beginning in the 2018 fiscal year. The adoption of ASU 2016-15 did not have a material impact to the Company’s statements of cash flows. The amendments of ASU 2016-18 were applied using a retrospective transition method, resulting in immaterial changes to the presentation of the Company’s statements of cash flows.

### *Income Taxes*

In October 2016, the FASB issued Accounting Standards Update No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory (“ASU 2016-16”), which requires recognition of the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The Company has adopted the new standard effective beginning in the 2018 fiscal year, which resulted in a reclassification of approximately \$1,700 of certain prepaid tax balances in a cumulative effect to retained earnings as of the date of adoption.

### *Income Statement – Reporting Comprehensive Income*

In February 2018, the FASB issued Accounting Standards Update No. 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (“ASU 2018-02”), which allows for stranded tax effects in accumulated other comprehensive income resulting from the U.S. Tax Cuts and Jobs Act to be reclassified to retained earnings. The Company has elected to early adopt the new standard effective beginning in the 2018 fiscal year, resulting in reclassification of approximately \$452 from accumulated other comprehensive income into retained earnings. The tax effects that were reclassified only relate to amounts resulting from the U.S. Tax Cuts and Jobs Act.

### **3. Marketable Securities**

The FASB ASC topic entitled *Fair Value Measurements and Disclosures* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The accounting guidance classifies the inputs used to measure fair value into the following hierarchy:

Level 1	Unadjusted quoted prices in active markets for identical assets or liability
Level 2	Observable inputs for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability
Level 3	Unobservable inputs for the asset or liability

The Company endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Valuation is based on prices obtained from an independent pricing vendor using both market and income approaches. The primary inputs to the valuation include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, and credit spreads.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Available-for-sale securities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements as of December 29, 2018			
	Total	Level 1	Level 2	Level 3
U.S. Treasury securities	\$ 22,128	\$ -	\$ 22,128	\$ -
Agency securities	59,116	-	59,116	-
Mortgage-backed securities	135,865	-	135,865	-
Corporate securities	980,524	-	980,524	-
Municipal securities	173,137	-	173,137	-
Other	142,342	-	142,342	-
Total	\$ 1,513,112	\$ -	\$ 1,513,112	\$ -

	Fair Value Measurements as of December 30, 2017			
	Total	Level 1	Level 2	Level 3
U.S. Treasury securities	\$ 19,337	\$ -	\$ 19,337	\$ -
Agency securities	43,361	-	43,361	-
Mortgage-backed securities	174,615	-	174,615	-
Corporate securities	816,793	-	816,793	-
Municipal securities	186,105	-	186,105	-
Other	181,509	-	181,509	-
Total	\$ 1,421,720	\$ -	\$ 1,421,720	\$ -

Marketable securities classified as available-for-sale securities are summarized below:

	Available-For-Sale Securities as of December 29, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$ 22,485	\$ -	\$ (357)	\$ 22,128
Agency securities	60,088	28	(1,000)	59,116
Mortgage-backed securities	142,176	1	(6,312)	135,865
Corporate securities	1,010,590	33	(30,099)	980,524
Municipal securities	175,630	73	(2,566)	173,137
Other	144,606	0	(2,264)	142,342
Total	\$ 1,555,575	\$ 135	\$ (42,598)	\$ 1,513,112



**Available-For-Sale Securities as  
of December 30, 2017**

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$ 19,591	\$ -	\$ (254)	\$ 19,337
Agency securities	44,191	1	(831)	43,361
Mortgage-backed securities	180,470	13	(5,868)	174,615
Corporate securities	830,447	136	(13,790)	816,793
Municipal securities	187,999	110	(2,004)	186,105
Other	183,730	2	(2,223)	181,509
<b>Total</b>	<b>\$ 1,446,428</b>	<b>\$ 262</b>	<b>\$ (24,970)</b>	<b>\$ 1,421,720</b>

The Company's investment policy targets low risk investments with the objective of minimizing the potential risk of principal loss. The fair value of our securities varies from period to period due to changes in interest rates, in the performance of the underlying collateral and in the credit performance of the underlying issuer, among other factors. The Company does not intend to sell the securities that have an unrealized loss shown in the table above, and it is not more likely than not that the Company will be required to sell a security before recovery of its amortized cost basis, which may be maturity.

The Company recognizes the credit component of other-than-temporary impairments of debt securities in "Other Income" and the noncredit component in "Other comprehensive income" for those securities that we do not intend to sell and for which it is not more likely than not that we will be required to sell before recovery. During 2018 and 2017, the Company did not record any material impairment charges on its outstanding securities.

The amortized cost and fair value of the securities at an unrealized loss position at December 29, 2018 were \$1,488,514 and \$1,445,916 respectively. Approximately 86% of securities in our portfolio were at an unrealized loss position at December 29, 2018. We have the ability to hold these securities until maturity or their value is recovered. We do not consider these unrealized losses to be other than temporary credit losses because there has been no material deterioration in credit quality and no change in the cash flows of the underlying securities. We do not intend to sell the securities and it is not more likely than not that we will be required to sell the securities; therefore, no material impairment has been recorded in the accompanying consolidated statement of income.

The cost of securities sold is based on the specific identification method.

The following tables display additional information regarding gross unrealized losses and fair value by major security type for available-for-sale securities in an unrealized loss position as of December 29, 2018 and December 30, 2017.

	As of December 29, 2018			
	Less than 12 Consecutive Months		12 Consecutive Months or Longer	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$ (3)	\$ 3,975	\$ (354)	\$ 18,153
Agency securities	(5)	4,656	(995)	40,508
Mortgage-backed securities	(1)	361	(6,311)	135,323
Corporate securities	(4,028)	323,633	(26,071)	640,439
Municipal securities	(454)	38,371	(2,112)	118,362
Other	(102)	8,015	(2,162)	114,120
<b>Total</b>	<b>\$ (4,593)</b>	<b>\$ 379,011</b>	<b>\$ (38,005)</b>	<b>\$ 1,066,905</b>

	As of December 30, 2017			
	Less than 12 Consecutive Months		12 Consecutive Months or Longer	
	Gross Unrealized		Gross Unrealized	
	Losses	Fair Value	Losses	Fair Value
U.S. Treasury securities	\$ (111)	\$ 12,966	\$ (143)	\$ 6,371
Agency securities	(168)	16,097	(663)	25,972
Mortgage-backed securities	(503)	19,628	(5,365)	153,835
Corporate securities	(4,562)	439,174	(9,228)	347,052
Municipal securities	(1,027)	125,819	(977)	38,167
Other	(2,219)	136,147	(4)	2,579
Total	\$ (8,590)	\$ 749,831	\$ (16,380)	\$ 573,976

The amortized cost and fair value of marketable securities at December 29, 2018, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	\$ 183,894	\$ 182,989
Due after one year through five years	1,261,083	1,227,551
Due after five years through ten years	110,598	102,572
	<u>\$ 1,555,575</u>	<u>\$ 1,513,112</u>

#### 4. Commitments and Contingencies

##### Commitments

Rental expense related to real estate, equipment, and vehicles amounted to \$21,096, \$18,915, and \$19,657 for the years ended December 29, 2018, December 30, 2017, and December 31, 2016, respectively. The Company recognizes rental expense on a straight-line basis over the lease term.

Future minimum rental payments are as follows:

Year	Amount
2019	\$ 17,170
2020	13,961
2021	10,559
2022	7,290
2023	6,947
Thereafter	13,910
<b>Total</b>	<u><b>\$ 69,837</b></u>

Certain cash balances are held as collateral in relation to bank guarantees. The total amount of restricted cash was \$73 and \$271 at December 29, 2018 and December 30, 2017, respectively.

The Company is party to certain commitments, which include purchases of raw materials, advertising expenditures, and other indirect purchases in connection with conducting our business. The aggregate amount of purchase orders and other commitments open as of December 29, 2018 was approximately \$354,553. We cannot determine the aggregate amount of such purchase orders that represent contractual obligations because purchase orders may represent authorizations to purchase rather than binding agreements. Our purchase orders are based on our current needs and are fulfilled by our suppliers, contract manufacturers, and logistics providers within short periods of time.

## Contingencies

In the normal course of business, the Company and its subsidiaries are parties to various legal claims, investigations and complaints, including matters alleging patent infringement and other intellectual property claims. The Company evaluates, on a quarterly and annual basis, developments in legal proceedings, investigations, claims, and other loss contingencies that could affect any required accrual or disclosure or estimate of reasonably possible loss or range of loss. An estimated loss from a loss contingency is accrued by a charge to income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. If a range of loss is estimated, and some amount within that range appears to be a better estimate than any other amount within that range, then that amount is accrued. If no amount within the range can be identified as a better estimate than any other amount, the Company accrues the minimum amount in the range.

If an outcome unfavorable to the Company is determined to be probable, but the amount of loss cannot be reasonably estimated or is determined to be reasonably possible, but not probable, we disclose the nature of the contingency and an estimate of the possible loss or range of loss or a statement that such an estimate cannot be made. The Company's aggregate range of reasonably possible losses includes (1) matters where a liability has been accrued and there is a reasonably possible loss in excess of the amount accrued for that liability, and (2) matters where a loss is believed to be reasonably possible, but not probable, and a liability therefore has not been accrued. This aggregate range only represents the Company's estimate of reasonably possible losses and does not represent the Company's maximum loss exposure. The assessment regarding whether a loss is probable or reasonably possible, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events. In assessing the probability of an outcome in a lawsuit, claim or assessment that could be unfavorable to the Company, we consider the following factors, among others: a) the nature of the litigation, claim, or assessment; b) the progress of the case; c) the opinions or views of legal counsel and other advisers; d) our experience in similar cases; e) the experience of other entities in similar cases; and f) how we intend to respond to the lawsuit, claim, or assessment. Costs incurred in defending lawsuits, claims or assessments are expensed as incurred.

Management of the Company currently does not believe it is reasonably possible that the Company may have incurred a material loss, or a material loss in excess of recorded accruals, with respect to loss contingencies in the aggregate, for the fiscal year ended December 29, 2018. The results of legal proceedings, investigations and claims, however, cannot be predicted with certainty. An adverse resolution of one or more of such matters in excess of management's expectations could have a material adverse effect in the particular quarter or fiscal year in which a loss is recorded, but based on information currently known, the Company does not believe it is likely that losses from such matters would have a material adverse effect on the Company's business or its consolidated financial position, results of operations or cash flows.

The Company settled or resolved certain legal matters during the fiscal years ended December 29, 2018, December 30, 2017, and December 31, 2016 that did not individually or in the aggregate have a material impact on the Company's business or its consolidated financial position, results of operations or cash flows.

## 5. Employee Benefit Plans

GII and the Company's other U.S.-based subsidiaries sponsor a defined contribution employee retirement plan under which their employees may contribute up to 50% of their annual compensation subject to Internal Revenue Code maximum limitations and to which the subsidiaries contribute a specified percentage of each participant's annual compensation up to certain limits as defined in the retirement plan. During the years ended December 29, 2018, December 30, 2017, and December 31, 2016, expense related to this and other defined contribution plans of \$52,232, \$43,826, and \$40,844, respectively, was charged to operations.

Certain of the Company's foreign subsidiaries participate in local defined benefit pension plans. Contributions are calculated by formulas that consider final pensionable salaries. Neither obligations nor contributions for the years ended December 29, 2018, December 30, 2017, and December 31, 2016 were significant.

## 6. Income Taxes

The Company's income tax provision (benefit) consists of the following:

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Federal:			
Current	\$ 26,784	\$ 31,343	\$ 66,627
Deferred	13,249	50,724	4,522
	<u>\$ 40,033</u>	<u>\$ 82,067</u>	<u>\$ 71,149</u>
State:			
Current	\$ 13,015	\$ 4,203	\$ 8,809
Deferred	(1,599)	11,684	(3,933)
	<u>\$ 11,416</u>	<u>\$ 15,887</u>	<u>\$ 4,876</u>
Foreign:			
Current	\$ 53,625	\$ 43,688	\$ 42,406
Deferred	24,093	(153,578)	2,470
	<u>\$ 77,718</u>	<u>\$ (109,890)</u>	<u>\$ 44,876</u>
Total	<u>\$ 129,167</u>	<u>\$ (11,936)</u>	<u>\$ 120,901</u>

The income tax provision differs from the amount computed by applying the U.S. statutory federal income tax rate to income before taxes. The sources and tax effects of the differences, including the impact of establishing tax contingency accruals, are as follows:

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Federal income tax expense at U.S. statutory rate	\$ 172,882	\$ 243,975	\$ 223,519
State income tax expense, net of federal tax effect	5,339	5,977	2,749
Foreign-Derived Intangible Income Deduction	(4,666)	-	-
Foreign tax rate differential	(38,563)	(106,763)	(113,078)
Other foreign taxes less incentives and credits	(12,841)	(4,646)	(16,593)
Withholding Tax	33,306	14,632	17,447
Net Change in Uncertain Tax Positions	(13,728)	5,363	17,328
Federal Domestic Production Activities Deduction	-	(3,895)	(5,528)
Federal Research and Development Credit	(16,562)	(10,851)	(8,548)
Switzerland Corporate Tax Election	-	(180,034)	-
Share Based Compensation	(2,747)	19,916	-
Other, net	6,747	4,390	3,605
Income tax expense (benefit)	<u>\$ 129,167</u>	<u>\$ (11,936)</u>	<u>\$ 120,901</u>

The Company recorded income tax benefit of \$11,936 in the year ended December 30, 2017, which included an income tax benefit of \$180,034 primarily related to the revaluation of certain Switzerland deferred tax assets resulting from the Company's election in the first quarter of 2017 to align certain Switzerland corporate tax positions with international tax initiatives.

The Company's statutory federal income tax rate in Switzerland, the Company's place of incorporation since the Redomestication, effective June 27, 2010, is 7.83%. If the Company reconciled taxes at the Swiss holding company federal statutory tax rate to the reported income tax for 2018 as presented above, the amounts related to tax at the statutory rate would be approximately \$108,000 lower, or \$65,000, and the foreign tax rate differential would be adjusted by a similar amount to approximately \$65,000. For 2017, the amounts related to tax at the statutory rate would be approximately \$186,000 lower, or \$53,600, and the foreign tax rate differential would be

adjusted by a similar amount to approximately \$77,000. For 2016, the amount related to tax at the statutory rate would be approximately \$171,000 lower, or \$49,000, and the foreign tax differential would be reduced by a similar amount to approximately \$55,000. All other amounts would remain substantially unchanged.

The Company's income before income taxes attributable to non-U.S. operations was \$532,657, \$461,436, and \$453,729, for the years ended December 29, 2018, December 30, 2017, and December 31, 2016, respectively.

Income taxes of \$36,800, \$45,534, and \$45,291 at December 29, 2018, December 30, 2017, and December 31, 2016, respectively, have not been accrued by the Company for the unremitted earnings of several of its foreign subsidiaries because such earnings are intended to be reinvested in the subsidiaries indefinitely.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	<b>December 29, 2018</b>	<b>December 30, 2017</b>
Deferred tax assets:		
Product warranty accruals	\$ 2,468	\$ 2,202
Allowance for doubtful accounts	3,964	5,129
Inventory reserves	6,023	6,920
Sales program allowances	1,657	910
Reserve for sales returns	1,368	816
Accrued vacation	8,179	7,121
Other accruals	3,336	3,601
Share based compensation	6,744	6,261
Tax credit carryforwards	9,697	8,413
Amortization	147,674	165,162
Net operating losses	3,580	8,799
Benefit related to uncertain tax positions	5,852	5,383
Other	4,543	3,677
Valuation allowance related to loss carryforward and tax credits	<u>(4,568)</u>	<u>(7,267)</u>
	\$ 200,517	\$ 217,127
Deferred tax liabilities:		
Depreciation	17,543	11,674
Prepaid Expenses	2,257	3,147
Book basis in excess of tax basis for acquired entities	14,068	17,364
Withholding tax	79,660	60,555
Other	2,974	5,018
	<u>116,502</u>	<u>97,758</u>
Net deferred tax assets	<u>\$ 84,015</u>	<u>\$ 119,369</u>

At December 29, 2018, the Company had \$9,697 of tax credit carryover compared to \$8,413 at December 30, 2017.

At December 29, 2018, the Company had a deferred tax asset of \$3,580 related to the future tax benefit on net operating loss (NOL) carryforwards of \$15,604. Included in the NOL carryforwards is \$1,437 that relates to Finland and expires in varying amounts between 2025 and 2028, \$1,889 that relates to various United States state jurisdictions and expires in varying amounts between 2022 and 2037, \$1,353 that relates to the Netherlands and expires in 2026, and \$10,925 that relates to various other jurisdictions and has no expiration date. The Company has recorded a valuation allowance for a portion of its deferred tax asset relating to various tax attributes that it does not believe are more likely than not to be realized. In the future, if the Company determines, based on

existence of sufficient evidence, that it should realize more or less of its deferred tax assets, an adjustment to the valuation allowance will be made in the period such a determination is made.

On December 22, 2017, the Tax Cuts and Jobs Act was enacted into law in the United States. Due to the complexities of the new tax legislation, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118") which allowed for the recognition of provisional amounts during a measurement period. The Company recorded a provisional remeasurement of its deferred tax assets and liabilities in the fourth quarter of 2017. The Company filed its U.S. federal and state income tax returns during the third and fourth quarters of 2018, which did not result in adjustments of its provisional remeasurement of deferred tax assets and liabilities.

The total amount of gross unrecognized tax benefits as of December 29, 2018 was \$118,287. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits for years ended December 29, 2018, December 30, 2017, and December 31, 2016 is as follows:

	<b>December 29, 2018</b>	<b>December 30, 2017</b>	<b>December 31, 2016</b>
Balance beginning of year	\$ 130,798	\$ 115,090	\$ 97,904
Additions based on tax positions related to prior years	1,138	8,564	489
Reductions based on tax positions related to prior years	(5,340)	(983)	(940)
Additions based on tax positions related to current period	19,368	26,295	28,859
Reductions related to settlements with tax authorities	(527)	-	(134)
Expiration of statute of limitations	(27,150)	(18,168)	(11,088)
Balance at end of year	<u>\$ 118,287</u>	<u>\$ 130,798</u>	<u>\$ 115,090</u>

Accounting guidance requires unrecognized tax benefits to be classified as noncurrent liabilities, except for the portion that is expected to be paid within one year of the balance sheet date. The entire balance of net unrecognized benefits of \$114,682, \$127,306 and \$109,667 are required to be classified as noncurrent at December 29, 2018, December 30, 2017, and December 31, 2016, respectively. The net unrecognized tax benefits, if recognized, would reduce the effective tax rate. None of the unrecognized tax benefits are due to uncertainty in the timing of deductibility.

Interest and penalties, if any, accrued on the unrecognized tax benefits are reflected in income tax expense. At December 29, 2018, December 30, 2017, and December 31, 2016, the Company had accrued approximately \$6,613, \$5,605, and \$3,901, respectively, for interest. The interest component of the reserve increased income tax expense for the years ending December 29, 2018, December 30, 2017, and December 31, 2016, by \$1,008, \$1,704, and \$1,422 respectively. The Company did not have significant amounts accrued for penalties for the years ending December 29, 2018, December 30, 2017, and December 31, 2016.

The Company files income tax returns in Switzerland, U.S. federal jurisdiction, as well as various states, local, and foreign jurisdictions. In its major tax jurisdictions, Switzerland, Taiwan, United Kingdom, and U.S. federal and various states, the Company is no longer subject to income tax examinations by tax authorities, with few exceptions, for years prior to 2014, 2013, 2016, and 2015, respectively.

The Company recognized a reduction of income tax expense of \$27,106, \$17,918, and \$11,151 in fiscal years ended December 29, 2018, December 30, 2017, and December 31, 2016, respectively, to reflect the expiration of statutes of limitations and releases due to audit settlement in various jurisdictions.

The Company believes that it is reasonably possible that approximately \$20,000 to \$25,000 of its reserves for certain unrecognized tax benefits will decrease within the next 12 months as the result of the expiration of statutes of limitations. This potential decrease in unrecognized tax benefits would impact the Company's effective tax rate within the next 12 months.

## 7. Fair Value of Financial Instruments

As required by the *Financial Instruments* topic of the FASB ASC, the following summarizes required information about the fair value of certain financial instruments for which it is currently practicable to estimate such value. None of the financial instruments are held or issued for trading purposes. The carrying amounts and fair values of the Company's financial instruments are as follows:

	December 29, 2018		December 30, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 1,201,732	\$ 1,201,732	\$ 891,488	\$ 891,488
Restricted cash	\$ 73	\$ 73	\$ 271	\$ 271
Marketable securities	\$ 1,513,112	\$ 1,513,112	\$ 1,421,720	\$ 1,421,720

For certain of the Company's financial instruments, including accounts receivable, loan receivable, accounts payable and other accrued liabilities, the carrying amounts approximate fair value due to their short maturities.

## 8. Segment Information

The Company has identified five reportable segments – auto, aviation, marine, outdoor and fitness. There are two operating segments (auto PND and auto OEM) that are not reported separately but aggregated within the auto reportable segment. Each operating segment is individually reviewed and evaluated by the Chief Operating Decision Maker (CODM), who allocates resources and assesses performance of each segment individually.

All of the Company's reportable segments offer products through the Company's network of independent dealers and distributors as well as through OEMs. However, the nature of products and types of customers for the five reportable segments vary. The Company's marine, auto, outdoor, and fitness segments include portable global positioning system (GPS) receivers and accessories sold primarily to retail outlets. These products are produced primarily by the Company's subsidiary in Taiwan. The Company's aviation products are portable and panel mount avionics for Visual Flight Rules and Instrument Flight Rules navigation and are sold primarily to aviation dealers and certain aircraft manufacturers.

The Company's Chief Executive Officer has been identified as the CODM. The CODM uses operating income as the measure of profit or loss to assess segment performance and allocate resources. Operating income represents net sales less costs of goods sold and operating expenses. Net sales are directly attributed to each segment. Most costs of goods sold and the majority of operating expenses are also directly attributed to each segment, while certain other costs of goods sold and operating expenses are allocated to the segments in a manner appropriate to the specific facts and circumstances of the expenses being allocated. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. There are no inter-segment sales or transfers.

The Company's reportable segments share many common resources, infrastructures and assets in the normal course of business. Thus, the Company does not report accounts receivable, inventories, property and equipment, intangible assets, or capital expenditures by segment to the CODM.

Net sales ("revenue"), gross profit, and operating income for each of the Company's reportable segments are presented below.

	<b>Reportable Segments</b>					
<b>52-Weeks Ended December 29, 2018</b>	<b>Outdoor</b>	<b>Fitness</b>	<b>Marine</b>	<b>Auto</b>	<b>Aviation</b>	<b>Total</b>
Net sales	\$ 809,883	\$ 858,329	\$ 441,560	\$ 634,213	\$ 603,459	\$ 3,347,444
Gross profit	528,254	471,764	258,756	270,793	450,152	1,979,719
Operating income	290,510	181,745	63,344	37,998	204,746	778,343
<b>52-Weeks Ended December 30, 2017</b>						
Net sales	\$ 698,867	\$ 762,194	\$ 374,001	\$ 785,139	\$ 501,359	\$ 3,121,560
Gross profit	448,410	422,636	212,592	342,698	371,605	1,797,941
Operating income	249,867	146,765	50,328	82,744	153,933	683,637
<b>53-Weeks Ended December 31, 2016</b>						
Net sales	\$ 546,326	\$ 818,486	\$ 331,947	\$ 909,690	\$ 439,348	\$ 3,045,797
Gross profit	340,504	437,205	183,709	397,702	329,405	1,688,525
Operating income	184,035	160,596	52,167	111,302	124,764	632,864

Net sales, property and equipment, and net assets by geographic area are as shown below for the years ended December 29, 2018, December 30, 2017, and December 31, 2016. Note that APAC includes Asia Pacific and Australian Continent, and EMEA includes Europe, the Middle East and Africa.

	<b>Americas</b>	<b>APAC</b>	<b>EMEA</b>	<b>Total</b>
<b>December 29, 2018</b>				
Net sales to external customers <sup>(1)</sup>	\$ 1,596,716	\$ 545,759	\$ 1,204,969	\$ 3,347,444
Property and equipment, net	408,992	208,964	45,571	663,527
Net assets <sup>(2)</sup>	2,726,196	995,272	441,506	4,162,974
<b>December 30, 2017</b>				
Net sales to external customers <sup>(1)</sup>	\$ 1,504,194	\$ 444,828	\$ 1,172,538	\$ 3,121,560
Property and equipment, net	381,974	173,392	40,318	595,684
Net assets <sup>(2)</sup>	2,375,522	982,898	493,999	3,852,419
<b>December 31, 2016</b>				
Net sales to external customers <sup>(1)</sup>	\$ 1,538,550	\$ 386,411	\$ 1,120,836	\$ 3,045,797
Property and equipment, net	300,158	144,470	38,250	482,878
Net assets <sup>(2)</sup>	2,188,417	933,999	330,844	3,453,260

<sup>(1)</sup> The U.S. is the only country which constitutes greater than 10% of net sales to external customers.

<sup>(2)</sup> Americas and APAC net assets are primarily held in the United States and Taiwan, respectively.

## 9. Stock Compensation Plans

### *Accounting for Stock-Based Compensation*

The various Company stock compensation plans are summarized below. For all stock compensation plans, the company's policy is to issue treasury shares for option/stock appreciation right (SAR) exercises, restricted stock unit (RSU) releases and employee stock purchase plan (ESPP) purchases.



### **2011 Non-employee Directors' Equity Incentive Plan**

In June 2011, the stockholders adopted an equity incentive plan for non-employee directors (the "2011 Directors Plan") providing for grants of stock options, SARs, RSUs and/or performance shares, pursuant to which up to 122,592 shares were available for issuance. The term of each award cannot exceed ten years. Awards may vest over a minimum two-year period. In 2018, 2017, and 2016, 10,376, 10,432, and 12,984 RSUs were granted under this plan.

### **2005 Equity Incentive Plan**

In June 2005, the shareholders adopted an equity incentive plan (the "2005 Plan") providing for grants of incentive and nonqualified stock options, SARs, RSUs and/or performance shares to employees of the Company and its subsidiaries, pursuant to which up to 10,000,000 common shares were available for issuance. In 2013, the shareholders approved an additional 3,000,000 shares to the plan, making the total shares authorized under the plan 13,000,000. Option and SAR grants vest evenly over a period of five years or as otherwise determined by the Board of Directors or the Compensation Committee and generally expire ten years from the date of grant, if not exercised. RSUs granted prior to December 10, 2012 vested evenly over a period of five years, while RSUs granted on and after that date vested or are vesting evenly over a period of three years. In addition to time-based vesting requirements, the vesting of certain RSU grants is also contingent upon the Company's achievement of certain financial performance goals. During 2018, 2017, and 2016, 1,040,001, 1,044,045, and 1,228,427 RSUs were granted under the 2005 Plan. No SARs were granted under the 2005 Plan in 2018, 2017, and 2016.

### **2000 Equity Incentive Plan**

In October 2000, the shareholders adopted an equity incentive plan (the "2000 Plan") providing for grants of incentive and nonqualified stock options, SARs, RSUs and/or performance shares to employees of the Company and its subsidiaries, pursuant to which up to 7,000,000 common shares were available for issuance. The stock options and SARs vest evenly over a period of five years or as otherwise determined by the Board of Directors or the Compensation Committee and generally expire ten years from the date of grant, if not exercised. The Company did not grant any stock awards from the 2000 Plan in 2018, 2017, or 2016.

### **2000 Non-employee Directors' Option Plan**

In October 2000, the stockholders adopted a stock option plan for non-employee directors (the "2000 Directors Plan") providing for grants of options for up to 100,000 common shares. In 2009, the stockholders approved an additional 150,000 shares to the plan, making the total shares authorized under the plan 250,000. The term of each award is ten years. All awards vest evenly over a three-year period. Following the June 2011 approval of the 2011 Directors Plan, the Company will no longer issue options to purchase shares under this plan.

### *Stock-Based Compensation Activity*

A summary of the Company's stock-based compensation activity and related information under the 2011 Directors Plan, the 2005 Plan, the 2000 Plan and the 2000 Directors Plan for the years ended December 29, 2018, December 30, 2017, and December 31, 2016 is provided below:

<b>Stock Options and SARs</b>		
	<b>Weighted-Average Exercise Price</b>	<b>Number of Shares</b>
		<i>(In Thousands)</i>
<b>Outstanding at December 26, 2015</b>	\$ 66.80	4,061
Granted		-
Exercised	\$ 50.77	(716)
Forfeited/Expired	\$ 51.12	(608)
<b>Outstanding at December 31, 2016</b>	\$ 74.48	2,737
Granted		-
Exercised	\$ 50.15	(397)
Forfeited/Expired	\$ 84.57	(1,948)
<b>Outstanding at December 30, 2017</b>	\$ 48.94	392
Granted		-
Exercised	\$ 48.16	(304)
Forfeited/Expired	\$ 83.01	(2)
<b>Outstanding at December 29, 2018</b>	\$ 50.92	86
<b>Exercisable at December 29, 2018</b>	\$ 50.74	76
<b>Expected to vest after December 29, 2018</b>	\$ 52.44	10

<b>Stock Options and SARs as of December 29, 2018</b>			
<b>Exercise Price</b>	<b>Awards Outstanding</b>	<b>Remaining Life (Years)</b>	<b>Awards Exercisable</b>
	<i>(In Thousands)</i>		<i>(In Thousands)</i>
\$18.00 - \$40.00	-	-	-
\$40.01 - \$60.00	86	5.51	76
\$60.01 - \$80.00	-	-	-
\$80.01 - \$100.00	-	-	-
\$100.01 - \$120.00	-	-	-
\$120.01 - \$140.00	-	-	-
	86	5.51	76

### Restricted Stock Units

	<b>Weighted-Average Grant Date Fair Value</b>	<b>Number of Shares</b>
		<i>(In Thousands)</i>
<b>Outstanding at December 26, 2015</b>	\$ 39.45	1,657
Granted	\$ 40.59	1,241
Released/Vested	\$ 38.96	(565)
Cancelled	\$ 44.57	(509)
<b>Outstanding at December 31, 2016</b>	\$ 38.94	1,824
Granted	\$ 51.71	1,055
Released/Vested	\$ 39.31	(763)
Cancelled	\$ 40.40	(54)
<b>Outstanding at December 30, 2017</b>	\$ 45.30	2,062
Granted	\$ 58.66	1,050
Released/Vested	\$ 42.55	(961)
Cancelled	\$ 47.91	(52)
<b>Outstanding at December 29, 2018</b>	\$ 53.17	2,099

The weighted-average remaining contract life for stock options and SARs outstanding and exercisable at December 29, 2018 was 5.51 and 5.45 years, respectively. The weighted-average remaining contract life of restricted stock units at December 29, 2018 was 1.21 years.

The total fair value of awards vested during 2018, 2017, and 2016 was \$41,092, \$30,280, and \$22,429, respectively. The aggregate intrinsic values of options and SARs outstanding and exercisable at December 29, 2018 were \$1,018 and \$920, respectively. The aggregate intrinsic values of options and SARs exercised during 2018, 2017, and 2016 were \$4,452, \$3,742, and \$1,632, respectively. The aggregate intrinsic value of RSUs outstanding at December 29, 2018 was \$131,876. The aggregate intrinsic values of RSUs released during 2018, 2017, and 2016 were \$60,361, \$45,424, and \$27,386, respectively. Aggregate intrinsic value of options and SARs represents the applicable number of awards multiplied by the positive difference between the exercise price and the Company's closing stock price on the last trading day of the relevant fiscal period. Aggregate intrinsic value of RSUs represents the applicable number of awards multiplied by the Company's closing stock price on the last trading day of the relevant fiscal period. The Company's closing stock price was \$62.82 on December 29, 2018. As of December 29, 2018, there was \$72,912 of total unrecognized compensation cost related to unvested share-based compensation awards granted to employees under the stock compensation plans. That cost is expected to be recognized over the weighted average remaining vesting period.

#### **Employee Stock Purchase Plan**

The shareholders have adopted an ESPP. Up to 6,000,000 shares of common stock have been reserved for the ESPP. Shares will be offered to employees at a price equal to the lesser of 85% of the fair market value of the stock on the date of purchase or 85% of the fair market value on the first day of the ESPP period. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code. During 2018, 2017, and 2016, 463,066, 489,267, and 541,018 shares, respectively, were purchased under the plan for a total purchase price of \$23,709, \$20,996, and \$18,157, respectively. During 2018, 2017, and 2016, the purchases were issued from treasury shares. At December 29, 2018, approximately 507,301 shares were available for future issuance.

## 10. Earnings Per Share

The following table sets forth the computation of basic and diluted net income per share:

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Numerator:			
Numerator for basic and diluted net income per share - net income	<u>\$ 694,080</u>	<u>\$ 709,007</u>	<u>\$ 517,724</u>
Denominator:			
Denominator for basic net income per share – weighted-average common shares	188,635	187,828	188,818
Effect of dilutive securities – employee stock options and stock appreciation rights	<u>1,099</u>	<u>904</u>	<u>525</u>
Denominator for diluted net income per share – adjusted weighted-average common shares	<u>189,734</u>	<u>188,732</u>	<u>189,343</u>
Basic net income per share	<u>\$ 3.68</u>	<u>\$ 3.77</u>	<u>\$ 2.74</u>
Diluted net income per share	<u>\$ 3.66</u>	<u>\$ 3.76</u>	<u>\$ 2.73</u>

There were no outstanding stock options, stock appreciation rights, and restricted stock units (collectively “equity awards”) excluded from the computation of diluted earnings per share for the 2018 fiscal year because the effect would have been anti-dilutive. There were 1,175,728 and 3,547,738 equity awards excluded from the computation of diluted earnings per share for the 2017 and 2016 fiscal years, respectively, because the effect would have been anti-dilutive.

## 11. Share Repurchase Plan

On February 13, 2015, the Board of Directors approved a share repurchase program authorizing the Company to purchase up to \$300,000 of its common shares through December 31, 2016. In December 2016, the Board of Directors authorized an extension through December 31, 2017 to purchase remaining common shares. Under the plan, the Company repurchased 0 shares in fiscal 2018, 1,474,092 shares using cash of \$74,523 in fiscal 2017, and 2,152,716 shares using cash of \$93,233 in fiscal 2016.

## 12. Accumulated Other Comprehensive Income

The following provides required disclosure of changes in accumulated other comprehensive income (AOCI) balances by component for the year ended December 29, 2018:

	Foreign Currency Translation Adjustment	Net unrealized gains (losses) on available- for-sale securities	Total
Balance - beginning of period	\$ 79,292	\$ (22,864)	\$ 56,428
Other comprehensive income before reclassification, net of income tax expense of \$2,174	(31,965)	(16,283)	(48,248)
Amounts reclassified from accumulated other comprehensive income	-	702	702
Net current-period other comprehensive income	(31,965)	(15,581)	(47,546)
Reclassification of tax effects due to adoption of ASU 2018-02	-	(452)	(452)
Balance - end of period	<u>\$ 47,327</u>	<u>\$ (38,897)</u>	<u>\$ 8,430</u>

The following provides required disclosure of reporting reclassifications out of AOCI for the year ended December 29, 2018:

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income is Presented
Unrealized gains (losses) on available-for-sale securities	\$ (827)	Other income (expense)
	<u>125</u>	Income tax benefit (provision)
	<u>\$ (702)</u>	Net of tax

## 13. Revenue

In order to further depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors, we disaggregate revenue (or "net sales") by geographic region, major product category, and pattern of recognition.

Disaggregated revenue by geographic region (Americas, APAC, and EMEA) is presented in Note 8 – Segment Information. The Company has identified six major product categories – aviation, marine, outdoor, fitness, auto PND, and auto OEM. Note 8 also contains disaggregated revenue information of the aviation, marine, outdoor, and fitness major product categories. Auto segment revenue presented in Note 8 is comprised of the auto PND and auto OEM major product categories as depicted below.

	Auto Revenue by Major Product Category		
	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Auto PND	67%	69%	76%
Auto OEM	33%	31%	24%

A large majority of the Company's sales are recognized on a point in time basis, usually once the product is shipped and title and risk of loss have transferred to the customer. Sales recognized over a period of time are primarily within the auto segment and relate to performance obligations that are satisfied over the life of the product or contractual service period. Revenue disaggregated by the timing of transfer of the goods or services is presented in the table below:

	<b>Fiscal Year Ended</b>		
	<b>December 29, 2018</b>	<b>December 30, 2017</b>	<b>December 31, 2016</b>
Point in time	\$ 3,176,949	\$ 2,954,945	\$ 2,864,501
Over time	170,495	166,615	181,296
Net sales	<u>\$ 3,347,444</u>	<u>\$ 3,121,560</u>	<u>\$ 3,045,797</u>

Transaction price and costs associated with the Company's unsatisfied performance obligations are reflected as deferred revenue and deferred costs, respectively, on the Company's consolidated balance sheets. Such amounts are recognized ratably over the applicable service period or estimated useful life. Changes in deferred revenue and costs during the 52-week periods ending December 29, 2018 and December 30, 2017, are presented below:

	<b>Fiscal Year Ended</b>			
	<b>December 29, 2018</b>		<b>December 30, 2017</b>	
	<b>Deferred Revenue<sup>(1)</sup></b>	<b>Deferred Costs<sup>(2)</sup></b>	<b>Deferred Revenue<sup>(1)</sup></b>	<b>Deferred Costs<sup>(2)</sup></b>
Balance, beginning of period	\$ 190,200	\$ 63,554	\$ 209,735	\$ 65,599
Deferrals in period	153,233	36,297	147,080	39,053
Recognition of deferrals in period	(170,495)	(41,916)	(166,615)	(41,098)
Balance, end of period	<u>\$ 172,938</u>	<u>\$ 57,935</u>	<u>\$ 190,200</u>	<u>\$ 63,554</u>

<sup>(1)</sup> Deferred revenue is comprised of both Deferred revenue and Noncurrent deferred revenue per the Consolidated Balance Sheets

<sup>(2)</sup> Deferred costs are comprised of both Deferred costs and Noncurrent deferred costs per the Consolidated Balance Sheets

Of the \$170,495 of deferred revenue recognized in the 52-weeks ended December 29, 2018, \$105,924 was deferred as of the beginning of the period. Of the \$166,615 of deferred revenue recognized in the 52-weeks ended December 30, 2017, \$114,787 was deferred as of the beginning of the period.

Of the \$172,938 and \$190,200 of deferred revenue at the end of the periods, December 29, 2018, and December 30, 2017, respectively, approximately two-thirds is recognized ratably over a period of three years or less.

#### 14. Selected Quarterly Information (Unaudited)

	52-Weeks Ended December 29, 2018			
	Quarter Ending			
	March 31	June 30	September 29	December 29
Net sales	\$ 710,872	\$ 894,452	\$ 810,011	\$ 932,108
Gross profit	426,535	523,270	480,747	549,166
Net income	129,374	190,342	184,214	190,150
Basic net income per share	\$ 0.69	\$ 1.01	\$ 0.98	\$ 1.01
Diluted net income per share	\$ 0.68	\$ 1.00	\$ 0.97	\$ 1.00

	52-Weeks Ended December 30, 2017			
	Quarter Ending			
	April 1	July 1	September 30	December 30
Net sales	\$ 641,510	\$ 831,486	\$ 751,244	\$ 897,319
Gross profit	372,806	484,130	437,523	503,482
Net income	238,404	176,979	151,074	142,550
Basic net income per share	\$ 1.27	\$ 0.94	\$ 0.81	\$ 0.76
Diluted net income per share	\$ 1.26	\$ 0.94	\$ 0.80	\$ 0.75

The above quarterly financial data is unaudited, but in the opinion of management, all adjustments necessary for a fair presentation of the selected data for these interim periods presented have been included. These results are not necessarily indicative of future quarterly results, and the table may not foot due to rounding.

#### 15. Recently Issued Accounting Pronouncements

##### *Leases*

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842) (“ASU 2016-02”), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The FASB subsequently issued Accounting Standards Update No. 2018-10 and Accounting Standards Update No. 2018-11 in July 2018, which provide clarifications and improvements to ASU 2016-02 (collectively, the “new lease standard”). Accounting Standards Update No. 2018-11 also provides the optional transition method, which allows companies to apply the new lease standard at the adoption date instead of at the earliest comparative period presented. The new lease standard requires lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet. Lessor accounting is substantially unchanged compared to the current accounting guidance. Additional footnote disclosures related to leases will also be required. The new lease standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018.

The Company has adopted the new lease standard as of the beginning of its 2019 fiscal year (the Company’s “adoption date”) using the optional transition method. The Company elected the package of transitional practical expedients upon adoption which, among other provisions, allows the Company to carry forward historical lease classification. The Company also made an accounting policy election to not recognize a right-of-use asset and lease liability for short term leases with an original term of 12 months or less. Expense associated with short term leases will continue to be recognized in the consolidated statements of income on a straight-line basis over the term of the lease.

Adoption of the standard resulted in the recognition of a right-of-use asset and a lease liability for operating leases of approximately \$60 million each on the Company’s consolidated balance sheet as of the adoption date, as the Company’s leases are primarily classified as operating leases. The Company does not expect the new lease

standard to have a material impact on the Company's consolidated statements of income or consolidated statements of cash flows. Prior periods of the consolidated financial statements are unchanged due to our election to apply the optional transition method. In conjunction with adopting the new lease standard, the Company has implemented changes to accounting policies, processes, systems, and internal controls to enable financial reporting under the new standard.

#### *Intangible – Goodwill and Other*

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, Intangible – Goodwill and Other (Topic 350): Simplify the Test for Goodwill Impairment ("ASU 2017-04") which simplifies the accounting for goodwill impairment. ASU 2017-04 removes Step 2 of the goodwill impairment test, such that a goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value. ASU 2017-04 should be applied prospectively and is effective for fiscal years, or any goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for any impairment tests performed after January 1, 2017. The Company is currently evaluating the impact of adopting the new standard on its consolidated financial statements.

#### *Receivables – Nonrefundable Fees and Other Costs*

In March 2017, the FASB issued Accounting Standards Update No. 2017-08, Receivables – Nonrefundable Fees and Other Costs (Topic 310-20): Premium Amortization on Purchased Callable Debt Securities ("ASU 2017-08"), which shortens the amortization period for certain callable debt securities held at a premium, requiring the premium to be amortized to the earliest call date. Callable debt securities held at a discount continue to be amortized to maturity. ASU 2017-08 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact of adopting the new standard on its consolidated financial statements.

## **16. Subsequent Events**

On February 12, 2019, Garmin Ltd. announced the signing of a purchase agreement to acquire Tacx, a privately-held Dutch company, that designs and manufactures indoor bike trainers, tools and accessories, as well as indoor training software and applications. The acquisition is not expected to be material. The completion of the acquisition is subject to customary regulatory approvals and closing conditions.



## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

#### ***(a) Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures***

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

#### ***(b) Management's Report on Internal Control over Financial Reporting***

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company assessed the effectiveness of the Company's internal control over financial reporting as of December 29, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control-Integrated Framework" (2013 framework).

Based on such assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 29, 2018.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements, issued an attestation report on management's effectiveness of the Company's internal control over financial reporting as of December 29, 2018, as stated in their report which is included herein. That attestation report appears below.

***(c) Attestation Report of the Independent Registered Public Accounting Firm***

**Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Garmin Ltd. and Subsidiaries

**Opinion on Internal Control over Financial Reporting**

We have audited Garmin Ltd. and Subsidiaries' internal control over financial reporting as of December 29, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Garmin Ltd. and Subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 29, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Garmin Ltd. and Subsidiaries as of December 29, 2018 and December 30, 2017, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 29, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements") of the Company and our report dated February 20, 2019 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP  
Kansas City, Missouri  
February 20, 2019

***(d) Changes in Internal Control over Financial Reporting***

There were no changes in our internal control over financial reporting during the quarter ended December 29, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

Not applicable.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

Garmin has incorporated by reference certain information in response or partial response to the Items under this Part III of this Annual Report on Form 10-K pursuant to General Instruction G(3) of this Form 10-K and Rule 12b-23 under the Exchange Act. Garmin's definitive proxy statement in connection with its annual meeting of shareholders scheduled for June 7, 2019 (the "Proxy Statement") will be filed with the Securities and Exchange Commission no later than 120 days after December 29, 2018.

#### (a) Directors of the Company

The information set forth in response to Item 401 of Regulation S-K under the headings "Proposal 5 – Re-election of five directors and election of one new director" in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 10.

#### (b) Executive Officers of the Company

The information set forth in response to Item 401 of Regulation S-K under the heading "Executive Officers of the Registrant" in Part I of this Form 10-K is incorporated herein by reference in partial response to this Item 10.

#### (c) Compliance with Section 16(a) of the Exchange Act

The information set forth in response to Item 405 of Regulation S-K under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 10.

#### (d) Audit Committee and Audit Committee Financial Expert

The information set forth in response to Item 402 of Regulation S-K under the heading "Board Meetings and Standing Committee Meetings - Audit Committee" in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 10.

The Audit Committee consists of Joseph J. Hartnett, Charles W. Peffer and Rebecca R. Tilden. Mr. Peffer serves as the Chairman of the Audit Committee. All members of the Audit Committee are "independent" within the meaning of the rules of the SEC and the Nasdaq Marketplace Rules. Garmin's Board of Directors has determined that Mr. Hartnett and Mr. Peffer are "audit committee financial experts" as defined by the SEC regulations implementing Section 407 of the Sarbanes-Oxley Act of 2002.

#### (e) Code of Ethics

Garmin's Board of Directors has adopted the Code of Conduct of Garmin Ltd. and Subsidiaries (the "Code"). The Code is applicable to all Garmin employees including the President and Chief Executive Officer, the Chief Financial Officer, the Controller and other officers. A copy of the Code is available on Garmin's website at: [https://www8.garmin.com/aboutGarmin/invRelations/documents/Code\\_of\\_Conduct.pdf](https://www8.garmin.com/aboutGarmin/invRelations/documents/Code_of_Conduct.pdf). If any amendments to the Code are made, or any waivers with respect to the Code are granted to the President and Chief Executive Officer, the Chief Financial Officer or Controller, or any person performing a similar function, such amendment or waiver will be disclosed on Garmin's website at: [https://www8.garmin.com/aboutGarmin/invRelations/documents/Code\\_of\\_Conduct.pdf](https://www8.garmin.com/aboutGarmin/invRelations/documents/Code_of_Conduct.pdf).

## Item 11. Executive Compensation

The information set forth in response to Item 402 of Regulation S-K under the headings “Executive Compensation Matters” and “Proposal 5 - Re-election of five directors and election of one new director – Non-Management Director Compensation” in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 11.

The information set forth in response to Item 407(e)(4) of Regulation S-K under the heading “Proposal 5 - Re-election of five directors and election of one new director – Compensation Committee Interlocks and Insider Participation; Certain Relationships” in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 11.

The information set forth in response to Item 407(e)(5) of Regulation S-K under the heading “Executive Compensation Matters – Compensation Committee Report” in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 11.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information set forth in response to Item 403 of Regulation S-K under the heading “Stock Ownership of Certain Beneficial Owners and Management” in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 12.

### Equity Compensation Plan Information

The following table gives information as of December 29, 2018 about the Garmin common shares that may be issued under all of the Company’s existing equity compensation plans, as adjusted for stock splits.

	A	B	C
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A)
Equity compensation plans approved by shareholders	2,184,857	\$50.92	4,875,785
Equity compensation plans not approved by shareholders	--	--	--
<b>Total</b>	<b>2,184,857</b>	<b>\$50.92</b>	<b>4,875,785</b>

Table consists of the Garmin Ltd. 2005 Equity Incentive Plan (as Amended and Restated Effective June 5, 2010), the Garmin Ltd. 2000 Equity Incentive Plan, the Garmin Ltd. Amended and Restated 2000 Non-Employee Directors’ Option Plan, effective June 5, 2010, the Garmin Ltd. Amended and Restated Employee Stock Purchase Plan, effective January 1, 2010 and the Garmin Ltd. 2011 Non-Employee Directors Equity Incentive Plan, effective June 3, 2011. The weighted-average exercise price does not reflect the shares that will be issued upon the payment of outstanding awards of RSUs.

The Company has no knowledge of any arrangement, the operation of which may at a subsequent date result in a change in control of the Company.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information set forth in response to Item 404 of Regulation S-K under the heading “Proposal 5 – Re-election of five directors and election of one new director - Compensation Committee Interlocks and Insider Participation; Certain Relationships” in the Proxy Statement is incorporated herein by reference in partial response to this Item 13.

The information set forth in response to Item 407(a) of Regulation S-K under the headings “Proposal 5 – Re-election of five directors and election of one new director” in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 13.

**Item 14. Principal Accounting Fees and Services**

The information set forth under the headings “Audit Matters -- Independent Registered Public Accounting Firm Fees” and “Pre-Approval of Services Provided by the Independent Auditor” in the Proxy Statement is hereby incorporated by reference in response to this Item 14.

## PART IV

### Item 15. Exhibits, and Financial Statement Schedules

#### (a) List of Documents filed as part of this Report

##### (1) Consolidated Financial Statements

The consolidated financial statements and related notes, together with the reports of Ernst & Young LLP, appear in Part II, Item 8 “Financial Statements and Supplementary Data” of this Form 10-K.

##### (2) Schedule II Valuation and Qualifying Accounts

All other schedules have been omitted because they are not applicable, are insignificant or the required information is shown in the consolidated financial statements or notes thereto.

##### (3) Exhibits -- The following exhibits are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K:

EXHIBIT NUMBER	DESCRIPTION
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3.1	Articles of Association of Garmin Ltd., as amended and restated on June 8, 2018.
3.2	Organizational Regulations of Garmin Ltd., as amended on February 14, 2014 (incorporated by reference to Exhibit 3.2 of the Registrant’s Annual Report on Form 10-K filed on February 19, 2014).
10.1	Garmin Ltd. 2000 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant’s Registration Statement on Form S-1 filed December 6, 2000 (Commission File No. 333-45514)).
10.2	Form of Stock Option Agreement pursuant to the Garmin Ltd. 2000 Equity Incentive Plan for Employees of Garmin International, Inc. (incorporated by reference to Exhibit 10.1 of the Registrant’s Current Report on Form 8-K filed on September 7, 2004).
10.3	Form of Stock Option Agreement pursuant to the Garmin Ltd. 2000 Equity Incentive Plan for Employees of Garmin Corporation (incorporated by reference to Exhibit 10.3 of the Registrant’s Current Report on Form 8-K filed on September 7, 2004).
10.4	Form of Stock Option Agreement pursuant to the Garmin Ltd. 2000 Equity Incentive Plan for UK-Approved Stock Options for Employees of Garmin (Europe) Ltd. (incorporated by reference to Exhibit 10.4 of the Registrant’s Current Report on Form 8-K filed on September 7, 2004).
10.5	Form of Stock Option Agreement pursuant to the Garmin Ltd. 2000 Equity Incentive Plan for Non UK-Approved Stock Options for Employees of Garmin (Europe) Ltd. (incorporated by reference to Exhibit 10.5 of the Registrant’s Current Report on Form 8-K filed on September 7, 2004).



- 10.6 Garmin Ltd. 2000 Non-Employee Directors' Option Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Registration Statement on Form S-1 filed December 6, 2000 (Commission File No. 333-45514)).
- 10.7 Form of Stock Option Agreement pursuant to the Garmin Ltd. Non-Employee Directors' Option Plan for Non-Employee Directors of Garmin Ltd. (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on September 7, 2004).
- 10.8 Garmin Ltd. Amended and Restated Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed August 9, 2006).
- 10.9 First Amendment to Garmin Ltd. Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.4 of the Registrant's Annual Report on Form 10-K filed on March 27, 2002).
- 10.10 Second Amendment to Garmin Ltd. Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed on August 13, 2003).
- 10.11 Garmin Ltd. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on June 7, 2005).
- 10.12 Form of Stock Option Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on June 7, 2005).
- 10.13 Form of Stock Appreciation Rights Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed on May 8, 2007).
- 10.14 Form of Stock Appreciation Rights Agreement pursuant to the Garmin Ltd. 2000 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed on June 7, 2005).
- 10.15 Amended and Restated Garmin Ltd. Employee Stock Purchase Plan effective January 1, 2008 (incorporated by reference to Exhibit 10.15 of the Registrant's Annual Report on Form 10-K filed on February 26, 2008).
- 10.16 Form of Time Vested Restricted Stock Unit Award Agreement under the Garmin Ltd. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on December 17, 2008).
- 10.17 Form of Performance Shares Award Agreement under the Garmin Ltd. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on December 17, 2008).
- 10.18 Garmin Ltd. 2009 Cash Incentive Bonus Plan (incorporated by reference to Exhibit 10.18 of the Registrant's Annual Report on Form 10-K filed on February 25, 2009).
- 10.19 Amended and Restated Garmin Ltd. Employee Stock Purchase Plan, effective January 1, 2010 (incorporated by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K filed on February 24, 2010).

- 10.20 Form of Time Vested Restricted Stock Unit Award Agreement under the Garmin Ltd. 2005 Equity Incentive Plan, as revised by the Registrant's Board of Directors on December 11, 2009 (incorporated by reference to Exhibit 10.23 of the Registrant's Annual Report on Form 10-K filed on February 24, 2010).
- 10.21 Form of Performance Shares Award Agreement under the Garmin Ltd. 2005 Equity Incentive Plan, as revised by the Registrant's Board of Directors on December 11, 2009 (incorporated by reference to Exhibit 10.24 of the Registrant's Annual Report on Form 10-K filed on February 24, 2010).
- 10.22 Garmin Ltd. 2005 Equity Incentive Plan (as Amended and Restated Effective June 5, 2009) (incorporated by reference to Schedule 1 of the Registrant's Proxy Statement on Schedule 14A filed on April 21, 2009).
- 10.23 Garmin Ltd. Amended and Restated 2000 Non-Employee Directors' Option Plan, Effective June 5, 2009 (incorporated by reference to Schedule 2 of the Registrant's Proxy Statement on Schedule 14A filed on April 21, 2009).
- 10.24 Garmin Ltd. Amended and Restated 2000 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on June 28, 2010).
- 10.25 Garmin Ltd. Amended and Restated 2000 Non-Employee Directors' Option Plan (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed on June 28, 2010).
- 10.26 Garmin Ltd. Amended and Restated Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed on June 28, 2010).
- 10.27 Garmin Ltd. Amended and Restated 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 of the Registrant's Current Report on Form 8-K filed on June 28, 2010).
- 10.28 Form of Stock Option Agreement pursuant to the Garmin Ltd. Amended and Restated 2000 Non-Employee Directors' Option Plan (incorporated by reference to Exhibit 10.6 of the Registrant's Current Report on Form 8-K filed on June 28, 2010).
- 10.29 Form of Performance Shares Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 of the Registrant's Current Report on Form 8-K filed on June 28, 2010).
- 10.30 Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for Swiss residents (incorporated by reference to Exhibit 10.8 of the Registrant's Current Report on Form 8-K filed on June 28, 2010).
- 10.31 Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for non-Swiss residents (incorporated by reference to Exhibit 10.9 of the Registrant's Current Report on Form 8-K filed on June 28, 2010).
- 10.32 Transaction Agreement between Garmin Ltd., a Cayman Islands company, and the Registrant, dated as of May 21, 2010 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on June 28, 2010).

- 10.33 Form of Non-Qualified Stock Option Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, as amended and restated on June 27, 2010 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on December 29, 2011).
- 10.34 Garmin Ltd. 2011 Non-Employee Directors' Equity Incentive Plan (incorporated by reference to Schedule 1 of the Registrant's Definitive Proxy Statement on Form 14A filed on April 21, 2011).
- 10.35 Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2011 Non-Employee Directors' Equity Incentive Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on June 6, 2011).
- 10.36 Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for Swiss grantees (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on December 10, 2012).
- 10.37 Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for Canadian grantees (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on December 10, 2012).
- 10.38 Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for non-Swiss and non-Canadian grantees (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed on December 10, 2012).
- 10.39 Memorandum of Agreement dated March 14, 2013 between Garmin International, Inc. and Bombardier, Inc. (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed on May 8, 2013).
- 10.40 Amendment dated December 6, 2013 to Memorandum of Agreement between Garmin International, Inc. and Bombardier, Inc. (incorporated by reference to Exhibit 10.40 of the Registrant's Annual Report on Form 10-K filed on February 19, 2014).
- 10.41 Garmin Ltd. 2005 Equity Incentive Plan (as Amended and Restated Effective June 7, 2013) (incorporated by reference to Schedule 1 of the Registrant's Proxy Statement on Schedule 14A filed on April 22, 2013).
- 10.42 Form of Director and Officer Indemnification Agreement entered into between Garmin Ltd. and each of its Directors and Executive Officers (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on August 8, 2014).
- 10.43 Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to grantees who are executive officers (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on February 17, 2015).
- 10.44 Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to grantees who are not executive officers (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on February 17, 2015).
- 10.45 Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2011 Non-Employee Directors' Equity Incentive Plan (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed on February 17, 2015).

- 10.47            Garmin Ltd. Employee Stock Purchase Plan, as amended and restated on June 5, 2015 (incorporated by reference to Exhibit 10.1 of the Registrant’s Current Report on Form 8-K filed on June 8, 2015).
- 10.48            Garmin Ltd. Employee Stock Purchase Plan, as amended and restated on October 21, 2016 (incorporated by reference to Exhibit 10.1 of the Registrant’s Quarterly Report on Form 10-Q filed on October 26, 2016).
- 10.49            Garmin Ltd. 2005 Equity Incentive Plan, as amended and restated on October 21, 2016 (incorporated by reference to Exhibit 10.2 of the Registrant’s Quarterly Report on Form 10-Q filed on October 26, 2016).
- 10.50            Garmin Ltd. 2011 Non-Employee Directors’ Equity Incentive Plan, as amended and restated on October 21, 2016 (incorporated by reference to Exhibit 10.3 of the Registrant’s Quarterly Report on Form 10-Q filed on October 26, 2016).
- 10.51            Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2011 Non-Employee Directors’ Equity Incentive Plan (incorporated by reference to Exhibit 10.4 of the Registrant’s Quarterly Report on Form 10-Q filed on October 26, 2016).
- 10.52            Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for Swiss grantees (incorporated by reference to Exhibit 10.5 of the Registrant’s Quarterly Report on Form 10-Q filed on October 26, 2016).
- 10.53            Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for Canadian grantees (incorporated by reference to Exhibit 10.6 of the Registrant’s Quarterly Report on Form 10-Q filed on October 26, 2016).
- 10.54            Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for non-Swiss and non-Canadian grantees (incorporated by reference to Exhibit 10.7 of the Registrant’s Quarterly Report on Form 10-Q filed on October 26, 2016).
- 10.55            Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to Swiss grantees who are executive officers (incorporated by reference to Exhibit 10.8 of the Registrant’s Quarterly Report on Form 10-Q filed on October 26, 2016).
- 10.56            Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to Swiss grantees who are not executive officers (incorporated by reference to Exhibit 10.9 of the Registrant’s Quarterly Report on Form 10-Q filed on October 26, 2016).
- 10.57            Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to Canadian grantees who are not executive officers (incorporated by reference to Exhibit 10.10 of the Registrant’s Quarterly Report on Form 10-Q filed on October 26, 2016).
- 10.58            Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to non-Swiss and non-Canadian grantees who are executive officers

(incorporated by reference to Exhibit 10.11 of the Registrant's Quarterly Report on Form 10-Q filed on October 26, 2016).

- 10.59 Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to non-Swiss and non-Canadian grantee grantees who are not executive officers (incorporated by reference to Exhibit 10.12 of the Registrant's Quarterly Report on Form 10-Q filed on October 26, 2016).
- 10.60 Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for non-Swiss and non-Canadian grantees.
- 10.61 Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to non-Swiss and non-Canadian grantees who are executive officers.
- 10.62 Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to non-Swiss and non-Canadian grantee grantees who are not executive officers.
- 10.63 Garmin Ltd. 2011 Non-Employee Directors' Equity Incentive Plan, as amended and restated on February 15, 2019.
- 10.64 Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2011 Non-Employee Directors' Equity Incentive Plan, as amended and restated on February 15, 2019.
- 21.1 List of subsidiaries
- 23.1 Consent of Ernst & Young LLP
- 24.1 Power of Attorney (included in signature page)
- 31.1 Chief Executive Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Chief Financial Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Chief Executive Officer's Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Chief Financial Officer's Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
  
- Exhibit 101.INS XBRL Instance Document
- Exhibit 101.SCH XBRL Taxonomy Extension Schema
- Exhibit 101.CAL XBRL Taxonomy Extension Calculation Linkbase
- Exhibit 101.LAB XBRL Taxonomy Extension Label Linkbase

Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase

Exhibit 101.DEF XBRL Taxonomy Extension Definition Linkbase

**(b) Exhibits.**

The exhibits listed on the accompanying Exhibit Index in Item 15(a)(3) are filed as part of, or are incorporated by reference into, this Annual Report on Form 10-K.

**(c) Financial Statement Schedules.**

Reference is made to Item 15(a)(2) above.

**Item 16. Form 10-K Summary**

None.

**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**  
**Garmin Ltd. and Subsidiaries**  
*(In thousands)*

<b>Description</b>	<b>Balance at Beginning of Period</b>	<b>Additions</b>		<b>Deductions</b>	<b>Balance at End of Period</b>
		<b>Charged to Costs and Expenses</b>	<b>Charged to Other Accounts</b>		
Year Ended December 29, 2018:					
Deducted from asset accounts					
Allowance for doubtful accounts	\$ 4,168	\$ 2,123	\$ -	\$ (804)	\$ 5,487
Valuation allowance - Deferred Tax Asset	7,267	1,186	-	(3,885)	4,568
<b>Total</b>	<b>\$ 11,435</b>	<b>\$ 3,309</b>	<b>\$ -</b>	<b>\$ (4,689)</b>	<b>\$ 10,055</b>
Year Ended December 31, 2017:					
Deducted from asset accounts					
Allowance for doubtful accounts <sup>(1)</sup>	\$ 14,669	\$ 1,021	\$ -	\$ (11,522)	\$ 4,168
Valuation allowance - Deferred Tax Asset	4,622	3,077	-	(432)	7,267
<b>Total</b>	<b>\$ 19,291</b>	<b>\$ 4,098</b>	<b>\$ -</b>	<b>\$ (11,954)</b>	<b>\$ 11,435</b>
Year Ended December 31, 2016:					
Deducted from asset accounts					
Allowance for doubtful accounts	\$ 13,805	\$ 4,137	\$ -	\$ (3,273)	\$ 14,669
Valuation allowance - Deferred Tax Asset	2,781	1,966	-	(125)	4,622
<b>Total</b>	<b>\$ 16,586</b>	<b>\$ 6,103</b>	<b>\$ -</b>	<b>\$ (3,398)</b>	<b>\$ 19,291</b>

<sup>(1)</sup> The \$11.5 million deduction from the allowance for doubtful accounts during the fiscal year ended December 30, 2017 was a result of the write-off of uncollectable accounts that had previously been fully reserved.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GARMIN LTD.

By /s/ Clifton A. Pemble  
Clifton A. Pemble  
President and Chief Executive Officer

Dated: February 20, 2019

## POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Clifton A. Pemble and Douglas G. Boessen and Andrew R. Etkind, and each of them, as his attorney-in-fact, with the power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 20, 2019.

/s/ Clifton A. Pemble  
Clifton A Pemble  
*Director, President and Chief Executive Officer*  
*(Principal Executive Officer)*

/s/ Douglas G. Boessen  
Douglas G. Boessen  
*Chief Financial Officer and Treasurer*  
*(Principal Financial Officer and Principal Accounting Officer)*

/s/ Min H. Kao  
Min H. Kao  
*Executive Chairman*

/s/ Joseph J. Hartnett  
Joseph J. Hartnett  
*Director*

/s/ Jonathan C. Burrell  
Jonathan C. Burrell  
*Director*

/s/ Rebecca R. Tilden  
Rebecca R. Tilden  
*Director*

/s/ Charles W. Peffer  
Charles W. Peffer  
*Director*



STATUTORY FINANCIAL STATEMENTS

Garmin Ltd. (Switzerland)  
Years Ended December 29, 2018 and December 30, 2017

To the General Meeting of  
Garmin Ltd., Schaffhausen

Zurich, February 20, 2019

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Garmin Ltd. (the Company), which comprise the balance sheet, statement of income and notes, for the period from December 31, 2017 to December 29, 2018.



### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's articles of association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### **Opinion**

In our opinion, the financial statements for the period from December 31, 2017 to December 29, 2018 comply with Swiss law and the Company's articles of association.



### **Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### **Valuation of investment in affiliated companies**

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**Area of focus** As at December 29, 2018, the investment in affiliated companies of Garmin Ltd. amounts to CHF 6,567 million and represents 95% of total assets. The investment in affiliated companies is valued at historical cost less adjustment for impairment of value, if events and circumstances suggest that the historical cost may not be recoverable. Refer to note 1 (Summary of significant accounting policies) in the financial statements for further details.

The investment in affiliated companies is significant to our audit due to the complexity and judgment involved in the Company's impairment test.

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**Our audit response** Our audit procedures included gaining an understanding of the Company's investment in affiliated companies' impairment testing process and the determination of indicators of impairment. We evaluated the Company's assessment and corroborated key elements based on internally and externally available evidence and underlying data. Furthermore, we evaluated related income tax consequences.



### **Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of association. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

/s/ Christian Schibler  
Licensed audit expert  
(Auditor in charge)

/s/ Siro Bonetti  
Licensed audit expert

### **Enclosures**

Financial statements (balance sheet, statement of income and notes)  
Proposal regarding the appropriation of available earnings

# Garmin Ltd.

## Balance Sheet

(CHF in thousands)

	<b>December 29, 2018</b>	<b>December 30, 2017</b>
<b>Assets</b>		
- Cash and cash equivalents	100,619	416
- Accounts receivable - affiliates	423	292
- Other receivables - third party	21	12
- Prepaid expenses	228	-
Total current assets	<u>101,291</u>	<u>720</u>
- Loans receivable - affiliates	277,024	172,208
- Investment in affiliated companies	6,567,262	7,457,058
Total non-current assets	<u>6,844,286</u>	<u>7,629,266</u>
Total assets	<u><b>6,945,577</b></u>	<u><b>7,629,986</b></u>
<b>Liabilities and shareholders' equity</b>		
- Accounts payable	563	512
- Accounts payable - affiliates	23,419	13,364
- Provision for unrealized translation gains	38,397	25,508
- Dividend payable from capital contribution reserve	197,155	93,295
Total current liabilities	<u>259,534</u>	<u>132,679</u>
- Accrued expenses	531	30
- Long-term interest-bearing loans - affiliates	-	400,691
Total non-current liabilities	<u>531</u>	<u>400,721</u>
Total liabilities	<u>260,065</u>	<u>533,400</u>
Share capital	19,808	19,808
Legal capital reserves		
- Reserve from capital contribution	6,044,208	6,349,717
- Reserve for treasury shares from capital contribution	385,431	448,427
- Other capital reserves	68	68
Voluntary retained earnings		
- Dividend reserve from capital contribution	158,677	183,096
- Available earnings		
- Balance brought forward	95,470	117,912
- Net earnings (loss) for the year	(18,150)	(22,442)
Total shareholders' equity	<u>6,685,512</u>	<u>7,096,586</u>
Total liabilities and shareholders' equity	<u><b>6,945,577</b></u>	<u><b>7,629,986</b></u>

Garmin Ltd.

Statement of Income

(CHF in thousands)

	<b>Fiscal Year Ended December 29, 2018</b>	<b>Fiscal Year Ended December 30, 2017</b>
Dividend income - affiliates	890,167	439,181
- General and administrative expenses	(11,969)	(10,896)
- General and administrative expenses - affiliates	(12,064)	(11,269)
- Advertising expense	(179)	(231)
Operating expenses	<u>(24,212)</u>	<u>(22,396)</u>
Impairment on investment in affiliated companies	(889,796)	(439,181)
Financial result		
- Interest income	-	41
- Interest income - affiliates	9,590	7,025
- Interest expense - affiliates	(1,861)	(7,926)
- Foreign currency gains (losses)	(2,038)	814
Total financial result	<u>5,691</u>	<u>(46)</u>
Net earnings (loss)	<u>(18,150)</u>	<u>(22,442)</u>

# Garmin Ltd.

## Notes to Statutory Financial Statements

December 29, 2018 and December 30, 2017

*(CHF in thousands, except share and per share information and where otherwise indicated)*

### **1. Summary of significant accounting policies**

#### **General aspects**

Garmin Ltd. (the “Company”) is the parent company of the Garmin Group and has its registered office at Mühlenalstrasse 2, 8200 Schaffhausen, Switzerland. The Company did not have any employees at December 29, 2018 and December 30, 2017.

#### **Basis of presentation**

These unconsolidated statutory financial statements of Garmin Ltd. have been prepared in accordance with the general accepted accounting principles as set out in the Swiss Code of Obligations (“SCO”) Art. 957 to 963b.

The consolidated financial statements of the Garmin Group include 100 percent of the assets, liabilities, revenues, expenses, income and cash flows of Garmin Ltd. and subsidiaries in which the Company has a controlling interest, as if the Company and its subsidiaries were a single company.

The Company has adopted a 52-53-week period ending on the last Saturday of the calendar year. Due to the fact that there are not exactly 52 weeks in a calendar year and there is slightly more than one additional day per year (not including the effects of a leap year) in each calendar year as compared to a 52-week fiscal year, the Company will have a fiscal year comprising 53 weeks in certain fiscal years, as determined by when the last Saturday of the calendar year occurs. The fiscal year ended December 29, 2018 included 52 weeks and December 30, 2017 included 52 weeks.

#### **Affiliates**

The term “Affiliates”, as referred to in these financial statements, is defined as directly and indirectly held subsidiaries.

### **Exchange rate differences**

The Company keeps its accounting records in U.S. Dollars (USD) and translates them into Swiss Francs (CHF) for statutory reporting purposes. Assets and liabilities denominated in foreign currencies are translated into CHF using the year-end rates of exchange, except investment in affiliated companies and the Company's equity, which are translated at historical rates. Income statement transactions are translated into Swiss francs at the average rate of the year, except for individually significant transactions during the year in which case the applicable daily exchange rate is used. Exchange differences arising from business transactions are recorded in the income statement, except for net unrealized gains, which are deferred and recorded in current liabilities. Unrealized losses arising from the translation of the financial statements in USD to CHF are recorded in the statement of income, and unrealized gains are deferred and recorded in "provision for unrealized translation gains".

### **Investment in affiliated companies**

Investment in affiliated companies are recorded at historical cost less adjustment for impairment of value.

### **Dividend payable from capital contribution**

The dividend payable from capital contribution includes the outstanding quarterly dividend installments, approved by the annual general meeting but not yet paid.

### **Reserve from capital contribution**

The reserve from capital contribution includes the premium from the capital increase in the year 2010, plus

- amounts from share capital reallocated to the reserve from capital contribution following par value reductions and share cancellations,
- less
- the dividends from capital contribution distributed to date
  - amounts expected to be distributed (dividend payable from capital contribution)
  - amounts reallocated to the reserve for treasury shares from capital contribution and
  - the dividend reserve from capital contribution.

### **Dividend reserve from capital contribution**

The dividend reserve from capital contribution includes the amount of reserve from capital contribution reallocated to voluntary retained earnings through the last shareholder resolution, including the margin for unfavorable currency fluctuation and new share issuances that may occur between the time that the dividend has been approved by shareholders and when the last installment payment is made, reduced by quarterly dividend installments actually paid and expected quarterly dividend installments included in "dividend payable from capital contribution".

### **Treasury shares**

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of resale, the gain or loss is recognized through the statement of income



as financial income or financial expense. For treasury shares held at Affiliates, the Company builds a treasury shares reserve in equity at the respective acquisition costs.

## Personnel expense

Personnel expense for the years ended December 29, 2018 and December 30, 2017 amounted to CHF 4,737 and CHF 3,503, respectively, and is related to personnel expense allocated from the Company's Affiliates, related to the performance of certain general and administrative services including executive administration, procurement and payables, treasury and cash management, payroll, and accounting, as well as the Board of Directors of the Company.

The Company uses treasury shares for share-based payment programs for Board members. Any difference between the acquisition cost and any consideration paid by the Board members at grant date is recognized as personnel expense.

## 2. Investment in directly and material indirectly held affiliated companies

Company Name	Domicile	Ownership Interest		Voting Interest	
		Direct	Indirect	Direct	Indirect
Garmin Luxembourg Holdings S.à r.l.	Luxembourg	100%		100%	
Garmin Luxembourg S.à r.l.	Luxembourg		100%		100%
Garmin Switzerland GmbH	Switzerland	100%		100%	
Garmin International, Inc.	United States	100%		100%	
Garmin Corporation	Taiwan		100%		100%
Garmin (Europe) Ltd.	United Kingdom		100%		100%
Garmin Australasia Pty. Ltd.	Australia		100%		100%
Garmin Deutschland GmbH	Germany		100%		100%
Garmin Switzerland Distribution GmbH	Switzerland	100%		100%	

The investment in directly and material indirectly held affiliated companies is the same for the years ended December 29, 2018 and December 30, 2017.

### 3. Shareholders' equity

	Legal capital reserves				Voluntary retained earnings			Total
	Share capital	Reserve from capital contribution	Reserve for treasury shares from capital contribution	Other capital reserves	Dividend reserve from capital contribution	Balance brought forward	Net earnings (loss) for the year	
CHF in thousands								
Balance as of December 31, 2016	19,808	6,739,932	428,248	68	182,759	143,108	(25,196)	7,488,727
Balance brought forward						(25,196)	25,196	-
Release of amounts to dividend payable from reserve from capital contribution (2015 dividend)		1,438						1,438
Release of dividend reserve from capital contribution (2016 dividend)		182,759			(182,759)			-
Net movement in reserve for treasury shares from capital contribution		(20,179)	20,179					-
Release to dividend reserve from capital contribution (2016 dividend)		(554,233)			554,233			-
Dividend payments (2016 dividend)					(277,842)			(277,842)
Dividend payable at year-end (2016 dividend)					(93,295)			(93,295)
Net earnings (loss) for the year							(22,442)	(22,442)
Balance as of December 30, 2017	19,808	6,349,717	448,427	68	183,096	117,912	(22,442)	7,096,586
Balance brought forward						(22,442)	22,442	-
Release of amounts to dividend payable from reserve from capital contribution (2016 dividend)		1,294						1,294
Release of dividend reserve from capital contribution (2017 dividend)		183,096			(183,096)			-
Net movement in reserve for treasury shares from capital contribution		62,996	(62,996)					-
Release to dividend reserve from capital contribution (2017 dividend)		(552,895)			552,895			-
Dividend payments (2017 dividend)					(197,063)			(197,063)
Dividend payable at year-end (2017 dividend)					(197,155)			(197,155)
Net earnings (loss) for the year							(18,150)	(18,150)
Balance as of December 29, 2018	19,808	6,044,208	385,431	68	158,677	95,470	(18,150)	6,685,512

The summary of the components of authorized shares at December 29, 2018, December 30, 2017, and December 31, 2016 and changes during those years are as follows:

	Outstanding Shares	Treasury Shares Held by Affiliates	Issued Shares	Shares Authorized but not Issued <sup>3</sup>	Conditional Capital <sup>2</sup>
December 31, 2016	188,564,891	9,512,527	198,077,418 <sup>1</sup>		99,038,709
Treasury shares purchased	(1,699,115)	1,699,115			
Treasury shares issued for stock based compensation	1,323,640	(1,323,640)			
December 30, 2017	188,189,416	9,888,002	198,077,418 <sup>1</sup>	-	99,038,709
Treasury shares purchased	(263,997)	263,997			
Treasury shares issued for stock based compensation	1,535,936	(1,535,936)			
Additional shares authorized				39,615,483	
December 29, 2018	189,461,355	8,616,063	198,077,418 <sup>1</sup>	39,615,483	99,038,709

<sup>1</sup> Shares at CHF 0.10 par value

<sup>2</sup> Up to 99,038,709 conditional shares may be issued through the exercise of option rights which are granted to Garmin employees and/or members of its Board of Directors.

<sup>3</sup> The Shareholders approved at the Annual Meeting an amendment of the Articles of Association of the Company

to authorize the Board of Directors at any time until June 8, 2020 to increase the share capital in an amount not to exceed CHF 3,961,548.30 through the issuance of up to 39,615,483 fully paid-in registered shares with a nominal value of CHF 0.10 each.

#### 4. Treasury Shares

At December 29, 2018 and December 30, 2017, the Company's Affiliates held 8,616,063 and 9,888,002 treasury shares, respectively. The average cost of all treasury shares held by Affiliates at December 29, 2018 and December 30, 2017 amounts to CHF 45 and CHF 45, respectively.

	Carrying value (CHF in thousands)	Number of shares held by affiliates	Average cost (CHF)
Balance as of December 31, 2016	428,248	9,512,527	45
Acquired	86,334	1,699,115	51
Treasury stock used for stock based compensation	(66,155)	(1,323,640)	50
Balance as of December 30, 2017	448,427	9,888,002	45
Acquired	16,224	263,997	61
Treasury stock used for stock based compensation	(79,220)	(1,535,936)	52
Balance as of December 29, 2018	385,431	8,616,063	45

#### 5. Contingent Liabilities

The Company has a tax sharing agreement with its Affiliates for certain tax reserves. In addition, the Company through certain of its Affiliates is involved in various regulatory and legal matters. The Company's Affiliates have made certain related accruals. There could be material adverse outcomes beyond the accrued liabilities. Finally, as part of regular business negotiations, the Company will also occasionally guarantee certain financial obligations of its Affiliates when doing so leads to favorable terms. The total amount of these guarantees at December 29, 2018 and December 30, 2017 were CHF 15,440 and CHF 15,538 respectively.

## 6. Significant Shareholders

As of December 29, 2018, and December 30, 2017, the following shareholders held 5 percent or more of Garmin Ltd.'s total issued shares and voting rights:

<u>Shareholder</u>	<u>Percentage at Dec. 29, 2018</u>	<u>Percentage at Dec. 30, 2017</u>
Jonathan Burrell	11.47% <sup>2</sup>	13.15% <sup>1</sup>
Karuna Resources Ltd./Ruey-Jeng Kao	5.14%	5.14%
Min H. Kao, Ph.D.	13.71% <sup>4</sup>	19.41% <sup>3</sup>
BlackRock, Inc.	6.08% <sup>5</sup>	5.69%
The Vanguard Group	6.44% <sup>5</sup>	5.23%

<sup>1</sup> Includes (a) 3,930,870 shares held by The Judith M. Burrell Revocable Trust, over which shares Jonathan Burrell shares voting and dispositive power with his mother, Judith M. Burrell, (b) 8,720,050 shares held in three Charitable Lead Annuity Trusts, over which shares Jonathan Burrell has the sole voting and dispositive power, (c) 3,000,000 shares held in a limited liability company, over which shares Jonathan Burrell has sole voting and dispositive power, and (d) 10,351,200 shares held in several Grantor Retained Annuity Trusts established by Judith M. Burrell, over which shares Jonathan Burrell has sole voting and dispositive power.

<sup>2</sup> Includes (a) 2,637,470 shares held by The Judith M. Burrell Revocable Trust, over which shares Jonathan Burrell shares voting and dispositive power with his mother, Judith M. Burrell, (b) 8,413,050 shares held in three Charitable Lead Annuity Trusts, over which shares Jonathan Burrell has the sole voting and dispositive power, and (c) 11,644,600 shares held in several Grantor Retained Annuity Trusts established by Judith M. Burrell, over which shares Jonathan Burrell has sole voting and dispositive power.

<sup>3</sup> Includes 24,332,539 shares held by revocable trusts established by Dr. Kao's children, over which Dr. Kao has shared voting and dispositive power. Also includes 5,207,824 shares that are held by a revocable trust established by Dr. Kao's wife, over which Dr. Kao does not have any voting or dispositive power. Dr. Kao disclaims beneficial ownership of the 5,207,824 shares held in his wife's trust.

<sup>4</sup> Includes (a) 20,332,539 shares held by revocable trusts established by Dr. Kao's children, over which Dr. Kao has shared voting and dispositive power; (b) 67,869 shares held by the Kao Family Foundation, a charitable foundation over which Dr. Kao and members of his family may be deemed to have voting and dispositive power; and (c) 4,962,824 shares held by a revocable trust established by Dr. Kao's wife, over which Dr. Kao does not have any voting or dispositive power. Dr. Kao disclaims beneficial ownership of the shares described in clauses (b) and (c) of the preceding sentence.

<sup>5</sup> Ownership percentage is calculated using the most current available filings on Form 13F.

To the best of the Company's knowledge, no other shareholder held 5 percent or more of Garmin Ltd.'s total issued shares and voting rights as registered in accordance with Swiss law on December 29, 2018 or December 30, 2017.

## 7. Shares for members of the Board of Directors

According to the compensation plan, members of the Board of Directors are partially paid in shares. Treasury shares are used for such share allocations. The allocation of shares to the Board of Directors was as follows:

2018		2017	
Quantity	Value in CHF	Quantity	Value in CHF
10,376	586,820	10,432	492,256

## 8. Share Ownership of Garmin Ltd. by Board Members and Members of Executive Management

As of December 29, 2018 and December 30, 2017, the members of the Board of Directors held the following numbers of shares:

<u>Name and Function</u>	<u>Total number of shares held at Dec. 29, 2018</u>	<u>Total number of shares held at Dec. 30, 2017</u>
Jonathan Burrell, Chair of Nominating and Corporate Governance Committee, Member of Compensation Committee <sup>1</sup>	22,725,120 <sup>2</sup>	-
Donald H. Eller, Ph.D., Former Member of Compensation Committee and Former Chair of Nominating and Corporate Governance Committee <sup>3</sup>	-	446,783
Joseph Hartnett, Chair of Compensation Committee, Member of Audit Committee and Nominating and Corporate Governance Committee	9,266	6,799
Min H. Kao, Ph.D., Executive Chairman	27,162,661 <sup>5</sup>	38,450,917 <sup>4</sup>
Charles W. Peffer, Chair of Audit Committee, Member of Compensation Committee and Nominating and Corporate Governance Committee	18,868	16,655
Clifton A. Pemble, President & Chief Executive Officer	- <sup>6</sup>	- <sup>6</sup>
Rebecca R. Tilden, Member of Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee	2,274	811
Total	<u>49,918,189</u>	<u>38,921,965</u>

<sup>1</sup> Mr. Burrell was elected as a Director at the Annual General Meeting of Garmin Ltd. shareholders on June 8, 2018 and became Chair of the Nominating and Corporate Governance Committee on October 26, 2018.

<sup>2</sup> Includes (a) 2,637,470 shares held by The Judith M. Burrell Revocable Trust, over which shares Jonathan Burrell shares voting and dispositive power with his mother, Judith M. Burrell, (b) 8,413,050 shares held in three Charitable Lead Annuity Trusts, over which shares Jonathan Burrell has the sole voting and dispositive power, and (c) 11,644,600 shares held in several Grantor Retained Annuity Trusts established by Judith M. Burrell, over which shares Jonathan Burrell has sole voting and dispositive power.

<sup>3</sup> Mr. Eller ceased being a Director when his term expired on June 8, 2018.

<sup>4</sup> Includes 24,332,539 shares held by revocable trusts established by Dr. Kao's children, over which Dr. Kao has shared voting and dispositive power. Also includes 5,207,824 shares that are held by a revocable trust established by Dr. Kao's wife, over which Dr. Kao does not have any voting or dispositive power. Dr. Kao disclaims beneficial ownership of the 5,207,824 shares held in his wife's trust.

<sup>5</sup> Includes (a) 20,332,539 shares held by revocable trusts established by Dr. Kao's children, over which Dr. Kao has shared voting and dispositive power; (b) 67,869 shares held by the Kao Family Foundation, a charitable foundation over which Dr. Kao and members of his family may be deemed to have voting and dispositive power; and (c) 4,962,824 shares held by a revocable trust established by Dr. Kao's wife, over which Dr. Kao does not have any voting or dispositive power. Dr. Kao disclaims beneficial ownership of the shares described in clauses (b) and (c) of the preceding sentence.

<sup>6</sup> Shares held by Mr. Pemble are shown in the Executive Management disclosure below.

As of December 29, 2018 and December 30, 2017, the members of Executive Management held the following numbers of shares:

<u>Name and Principal Position</u> <sup>1</sup>	<u>Total number of shares held at Dec. 29, 2018</u>	<u>Total number of shares held at Dec. 30, 2017</u>
Douglas G. Boessen, Chief Financial Officer & Treasurer	14,874	8,871
Clifton A. Pemble, President & Chief Executive Officer	83,837	75,017
Total	<u>98,711</u>	<u>83,888</u>

<sup>1</sup> On February 14, 2014, the Company's Board of Directors determined that with effective date of January 1, 2014, the Company's Executive Management consists of its President & Chief Executive Officer and its Chief Financial Officer & Treasurer.

The members of our Board of Directors and Executive Management owned 25.25 and 19.69 percent of the Company's total shares issued as of December 29, 2018 and December 30, 2017, respectively.

The following tables provide information for each non-employee member of the Board of Directors regarding outstanding equity awards held by them as of December 29, 2018 and December 30, 2017, respectively.

**Outstanding Equity Awards at December 29, 2018**

<b>Name and Function</b>	<b>Stock Awards <sup>1</sup></b>
Jonathan Burrell <sup>2</sup> Member of the Board and Compensation Committee, Chair of Nominating and Corporate Governance Committee	2,594
Joseph Hartnett Member of the Board, Audit Committee and Nominating and Corporate Governance Committee, Chair of Compensation Committee	5,414
Charles Peffer Member of the Board, Compensation Committee and Nominating and Corporate Governance Committee, Chair of Audit Committee	5,414
Rebecca Tilden Member of the Board, Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee	5,414
Total	18,836

<sup>1</sup> Represents restricted stock units.

<sup>2</sup> Mr. Burrell was elected as a Director on June 8, 2018, and became Chair of the Nominating and Corporate Governance Committee on October 26, 2018.

**Outstanding Equity Awards at December 30, 2017**

<b>Name and Function</b>	<b>Option awards<sup>1</sup></b>	<b>Stock Awards<sup>2</sup></b>
Donald Eller Member of the Board and Compensation Committee, Chairman of Nominating Committee	18,567	5,772
Joseph Hartnett Member of the Board and Audit, Compensation and Nominating Committees, Chairman of Compensation Committee	-	5,772
Charles Peffer Member of the Board and Compensation and Nominating Committees, Chairman of Audit Committee	9,905	5,772
Rebecca Tilden Member of the Board, Audit, Compensation and Nominating Committees	-	4,772
	<hr/>	<hr/>
Total	<u>28,472</u>	<u>22,088</u>

<sup>1</sup> Represents non-qualified stock options.

<sup>2</sup> Represents restricted stock units.



The following tables provide information for each member of Executive Management regarding outstanding equity awards held by them as of December 29, 2018 and December 30, 2017, respectively. Amounts in these tables are presented in CHF.

**Outstanding Equity Awards at December 29, 2018**

Name	Option Awards				Stock Awards		
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option / SAR Exercise Price (CHF)	Option / SAR Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (CHF) <sup>4</sup>	
<b>Clifton A. Pemble</b> <b>President &amp; Chief Officer</b>	27,532 <sup>(1)</sup>	6,883	51.66	12/15/24	5,490 <sup>(2)</sup>	339,743	
	38,492 <sup>(1)</sup>	-	48.34	12/10/23	11,024 <sup>(2)</sup>	682,209	
					16,365 <sup>(2)</sup>	1,012,731	
					5,967 <sup>(3)</sup>	369,262	
					10,192 <sup>(3)</sup>	630,722	
	<u>66,024</u>	<u>6,883</u>			<u>17,763<sup>(3)</sup></u>	<u>1,099,245</u>	
<b>Douglas G. Boessen</b> <b>Chief Financial Officer &amp; Treasurer</b>	10,144 <sup>(1)</sup>	2,536	51.66	12/15/24	1,464 <sup>(2)</sup>	90,598	
					2,450 <sup>(2)</sup>	151,616	
					3,681 <sup>(2)</sup>	227,795	
					1,927 <sup>(3)</sup>	119,250	
					2,718 <sup>(3)</sup>	168,201	
	<u>10,144</u>	<u>2,536</u>			<u>5,328<sup>(3)</sup></u>	<u>329,718</u>	
<b>Total</b>	<u>76,168</u>	<u>9,419</u>			<u>84,369</u>		

<sup>1</sup> Represents stock appreciation rights.

<sup>2</sup> Represents restricted stock units.

<sup>3</sup> Represents time-based and performance-based vesting restricted stock units.

<sup>4</sup> Determined by multiplying the number of unearned shares by CHF 61.88, which was the closing price of Garmin shares on the Nasdaq stock market on December 28, 2018.

**Outstanding Equity Awards at December 30, 2017**

Name	Option Awards				Stock Awards		
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option / SAR Exercise Price (CHF)	Option / SAR Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (CHF) <sup>5</sup>	
<b>Clifton A. Pemble</b>	45,260 <sup>(1)</sup>	-	41.12	12/10/22	6,437 <sup>(3)</sup>	373,981	
<b>President &amp; Chief Officer</b>	20,649 <sup>(2)</sup>	13,766	51.14	12/15/24	10,980 <sup>(3)</sup>	637,923	
	30,794 <sup>(2)</sup>	7,698	47.86	12/10/23	16,536 <sup>(3)</sup>	960,719	
					11,934 <sup>(4)</sup>	693,349	
					15,288 <sup>(4)</sup>	888,212	
	<u>96,703</u>	<u>21,464</u>			<u>61,175</u>		
<b>Douglas G. Boessen</b>	7,608 <sup>(2)</sup>	5,072	51.14	12/15/24	2,080 <sup>(3)</sup>	120,845	
<b>Chief Financial Officer &amp; Treasurer</b>					2,928 <sup>(3)</sup>	170,113	
					3,675 <sup>(3)</sup>	213,512	
					3,854 <sup>(4)</sup>	223,912	
					4,077 <sup>(4)</sup>	236,868	
	<u>7,608</u>	<u>5,072</u>			<u>16,614</u>		
<b>Total</b>	<u>104,311</u>	<u>26,536</u>			<u>77,789</u>		

<sup>1</sup> Represents non-qualified stock options.

<sup>2</sup> Represents stock appreciation rights.

<sup>3</sup> Represents restricted stock units.

<sup>4</sup> Represents time-based and performance-based vesting restricted stock units.

<sup>5</sup> Determined by multiplying the number of unearned shares by CHF 58.10, which was the closing price of Garmin shares on the Nasdaq stock market on December 28, 2018.

Other than as disclosed, no party related to any member of the Board of Directors or Executive Management held any shares of Garmin Ltd. or equity awards in Garmin Ltd. shares as of December 29, 2018 or December 30, 2017.

## 9. Dividend income and impairment loss on investment in Affiliates

During 2018, Garmin Ltd. received a dividend of CHF 889,796 from its Affiliates resulting in a reduction in the value of the investment in the Affiliates by the same amount. Consequently, the Company has recognized an impairment of CHF 889,796 in the value of its investments in affiliated companies. During 2017, Garmin Ltd. received a dividend of CHF 435,000 from one of its Affiliates resulting in a reduction in the value of the investment in this Affiliate by the same amount. Consequently, the Company recognized an impairment of CHF 435,000 in the value of its investment in affiliated companies. During 2017, Garmin Ltd. received a liquidation dividend

of CHF 4,181 from Garmin New Zealand Holdings resulting in a full impairment of the investment.

#### **10. Subsequent events**

No significant events occurred subsequent to the balance sheet date but prior to February 20, 2019 that would have a material impact on the financial statements.

## Proposed Appropriation of Available Earnings

Balance brought forward from previous years	95,470
Net loss for the period (on a stand-alone unconsolidated basis)	(18,150)
Total available to the general meeting	77,320
Proposal of the Board of Directors for the appropriation of available earnings to the general meeting:	77,320
Balance to be carried forward	77,320

	Reserve from capital contribution	Reserve for treasury shares from capital contribution <sup>1</sup>	Dividend reserve from capital contribution
Balance as of December 29, 2018	6,044,208	385,431	158,677
Proposed release of reserve from capital contribution to dividend reserve from capital contribution	(600,598)		600,598
Balance to be carried forward	5,443,610	385,431	759,275

<sup>1</sup> The reserve for treasury shares is blocked from distribution.

The Board of Directors proposes to the Annual Meeting that Garmin Ltd. pay a cash dividend in the amount of USD 2.28<sup>1</sup> per outstanding share out of Garmin Ltd.'s reserve from capital contribution payable in four equal installments at the dates determined by the Board of Directors in its discretion, the record date and payment date for each such installment to be announced in a press release<sup>2</sup> at least ten calendar days prior to the record date.

The cash dividend shall be made with respect to the outstanding share capital of Garmin Ltd. on the record date for the applicable installment, which amount will exclude any shares of Garmin Ltd. held by Garmin Ltd. or any of its direct or indirect subsidiaries.

CHF 600,598<sup>3</sup> shall be allocated to dividend reserves from capital contribution (the "Dividend Reserve") from the reserve from capital contribution in order to pay such dividend of USD 2.28 per outstanding share with a nominal value of CHF 0.10 each (assuming a total of 198,077,418 shares<sup>4</sup> eligible to receive the dividend). If the aggregate dividend payment is lower than the Dividend Reserve, the relevant difference will be allocated back to the reserve from capital contribution. To the extent that any installment payment, when converted into Swiss francs, at a USD/CHF exchange rate prevailing at the relevant payment date for the relevant installment payment, would exceed the Dividend Reserve then remaining, the USD per share amount of that installment payment shall be reduced on a pro rata basis, provided, however, that the aggregate amount of that installment payment shall in no event exceed the then remaining Dividend Reserve.

<sup>1</sup> In no event will the dividend payment exceed a total of USD 2.28 per share.

<sup>2</sup> The announcements will not be published in the Swiss Official Gazette of Commerce.

<sup>3</sup> Based on the currency conversion rate as at December 29, 2018, with a total of 198,077,418 shares eligible for payout (based on the number of shares issued as at December 29, 2018), the aggregate Dividend Reserve would be CHF 600,598. The amount of the Dividend Reserve, calculated on the basis of the Company's issued shares as at December 29, 2018, includes a 35% margin to accommodate (i) unfavorable currency fluctuation and (ii) new share issuances (see footnote 4 below) that may occur between the time that the dividend is approved by shareholders and when the last installment payment is made. Unused Dividend Reserves will be returned to the reserve from capital contribution after the last installment payment.

<sup>4</sup> This number is based on the registered share capital at December 29, 2018. The number of shares eligible for dividend payments may change due to the repurchase of shares, the sale of treasury shares or the issuance of new shares, including (without limitation) from the conditional share capital reserved for the employee profit sharing program, and utilization of authorized capital.

**Garmin Ltd.**  
**2018 Form 10-K Annual Report**  
**Exhibit Index**

The following exhibits are attached hereto. See Part IV of this Annual Report on Form 10-K for a complete list of exhibits.

<b><u>Exhibit Number</u></b>	<b><u>Document</u></b>
21.1	List of subsidiaries
23.1	Consent of Ernst & Young LLP
31.1	Chief Executive Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Chief Executive Officer's Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Chief Financial Officer's Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase

## GARMIN LTD.

## List of Subsidiaries of Company

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>
Navionics Inc.	Delaware
Garmin International, Inc.	Kansas
Garmin North America, Inc.	Kansas
Garmin USA, Inc.	Kansas
Garmin Realty, LLC	Kansas
Garmin Services, Inc.	Kansas
Flight Plan LLC	Connecticut
Garmin AT, Inc.	Oregon
Garmin Argentina SRL	Argentina
Garmin Australasia Pty Ltd.	Australia
Garmin Austria GmbH	Austria
Garmin Austria Holding GmbH	Austria
Garmin Belux NV/SA	Belgium
Garmin Brasil Comércio de Tecnologias Ltda.	Brazil
Garmin Canada, Inc.	Canada (Alberta)
Garmin Chile Lda	Chile
Garmin China Co., Ltd.	China
Garmin China Shanghai Co., Ltd.	China
Garmin China Shanghai RHQ Co., Ltd.	China
Garmin China ChengDu Co., Ltd.	China
Garmin China Yangzhou Co., Ltd.	China
Garmin Hrvatska d.o.o.	Croatia
Garmin Czech s.r.o	Czech Republic
Garmin Nordic Denmark A/S	Denmark
Garmin Danmark Ejendomme ApS	Denmark
Garmin (Europe) Ltd.	England
Navionics OÜ	Estonia
Garmin Nordic Finland Oy	Finland
Garmin Nordic Finland Holding Oy	Finland
Garmin France SAS	France
Garmin Deutschland GmbH	Germany
Garmin Deutschland Beteiligungs GmbH	Germany
Garmin Würzburg GmbH	Germany
Garmin India Private Ltd.	India
Navionics Technologies Pvt. Ltd.	India
Garmin Italia S.r.l.	Italy
Navionics S.r.l.	Italy
Garmin Japan Ltd.	Japan
Garmin Luxembourg S.à r.l.	Luxembourg
Garmin Luxembourg Holdings S.à r.l.	Luxembourg
Garmin Comercializadora S. de RL. de CV	Mexico
Garmin Navigation Mexico S de RL de CV	Mexico
Garmin Nederland B.V.	Netherlands
Garmin New Zealand Ltd.	New Zealand
Garmin Nordic Norway AS	Norway
Garmin Nordic Norway Holding AS	Norway

Garmin Polska Sp. z o.o.  
Garmin Cluj SRL  
Garmin, trgovina in servis, d.o.o.  
Garmap (Pty) Ltd.  
Garmin Africa Holdings (Pty) Ltd.  
Garmin Southern Africa (Pty) Ltd.  
Garmin Korea Ltd.  
Garmin Iberia S.A.  
Garmin Spain S.L.U.  
Garmin Singapore Pte. Ltd  
Garmin Nordic Sweden AB  
Garmin Switzerland GmbH  
Garmin Switzerland Distribution GmbH  
Garmin Corporation

Poland  
Romania  
Slovenia  
South Africa  
South Africa  
South Africa  
South Korea  
Spain  
Spain  
Singapore  
Sweden  
Switzerland  
Switzerland  
Taiwan



**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-189178) pertaining to the Garmin Ltd. 2005 Equity Incentive Plan
- (2) Registration Statement (Form S-8 No. 333-179801) pertaining to the Garmin Ltd. 2011 Non-Employee Directors' Equity Incentive Plan
- (3) Registration Statement (Form S-8 No. 333-124818) pertaining to the Garmin International, Inc. 401(k) and Pension Plan,
- (4) Registration Statement (Form S-8 No. 333-125717) pertaining to the Garmin Ltd. Amended and Restated 2005 Equity Incentive Plan,
- (5) Registration Statement (Form S-8 No. 333-51470) pertaining to the Garmin Ltd. Amended and Restated Employee Stock Purchase Plan, Garmin Ltd. Amended and Restated 2000 Equity Incentive Plan, Garmin Ltd. Amended and Restated 2000 Non-Employee Directors' Option Plan,
- (6) Registration Statement (Form S-8 No. 333-52766) pertaining to the Garmin International, Inc. 401(k) and Pension Plan,
- (7) Registration Statement (Form S-8 No. 333-160297) pertaining to the Garmin Ltd. Amended and Restated 2000 Non-Employee Directors' Option Plan, and
- (8) Registration Statement (Form S-8 No. 333-149450) pertaining to the Garmin International, Inc. 401(k) and Pension Plan;
- (9) Registration Statement (Form S-8 No. 333-205945) pertaining to the Garmin Ltd. Employee Stock Purchase Plan

of our reports dated February 20, 2019, with respect to the consolidated financial statements and schedule of Garmin Ltd. and Subsidiaries, and the effectiveness of internal control over financial reporting of Garmin Ltd. and Subsidiaries, included in this Annual Report (Form 10-K) of Garmin Ltd. for the year ended December 29, 2018.

/s/ Ernst & Young LLP

Kansas City, Missouri  
February 20, 2019

**CERTIFICATION**

I, Clifton A. Pemble, certify that:

1. I have reviewed this report on Form 10-K of Garmin Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2019

By /s/ Clifton A. Pemble  
Clifton A. Pemble  
President and Chief  
Executive Officer

## CERTIFICATION

I, Douglas G. Boessen, certify that:

1. I have reviewed this report on Form 10-K of Garmin Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2019

By /s/ Douglas G. Boessen  
Douglas G. Boessen  
Chief Financial Officer

**Certification**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  
**(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Clifton A. Pemble, President and Chief Executive Officer of Garmin Ltd. (the "Company") hereby certify that:

- (1) The Annual Report on Form 10-K for the year ended December 29, 2018 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 20, 2019

/s/ Clifton A. Pemble  
Clifton A. Pemble  
President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

**Certification**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  
**(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Douglas G. Boessen, Chief Financial Officer of Garmin Ltd. (the "Company") hereby certify that:

- (1) The Annual Report on Form 10-K for the year ended December 29, 2018 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

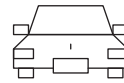
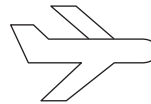
Dated: February 20, 2019

/s/ Douglas G. Boessen  
Douglas G. Boessen  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.





2018

## OUTDOOR



Xero® A1



Approach® Z80



inReach® mini



Fenix® 5 Plus series



Instinct™

## FITNESS



Forerunner® 645 Music



Edge® 130



Edge® 520 Plus



vivoactive® 3 Music



vivosmart® 4



vivomove® HR



vivofit® jr. 2

# MARINE



GPSMAP® 8600 series



Panoptix Livescope™



# AVIATION



GDL® 50



G5 Autopilot Controller



G700 TXi



D2™ Delta series



G1000 NXiH

# AUTO



Garmin OEM solutions



Garmin DriveSmart™ 61 LMT-S



dēzlCam™ 785

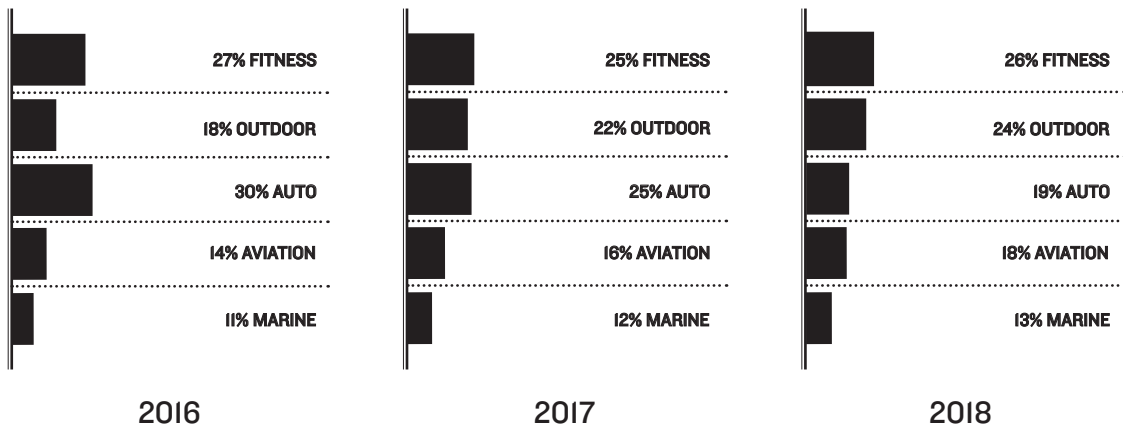


# FINANCIAL REVIEW

The selected financial data below and elsewhere in this annual report should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K, which is included with this annual report.

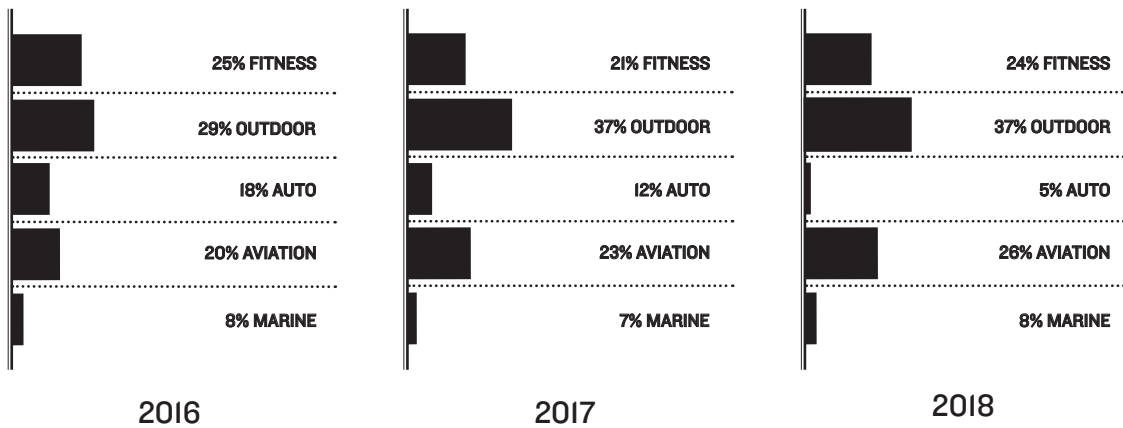
## REVENUE BY SEGMENT

% OF TOTAL



## OPERATING INCOME BY SEGMENT

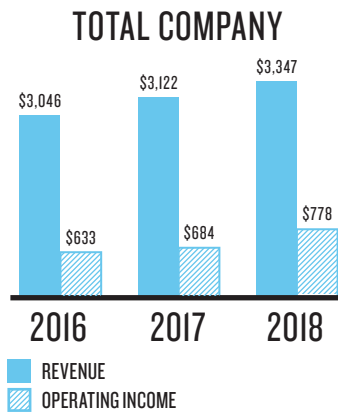
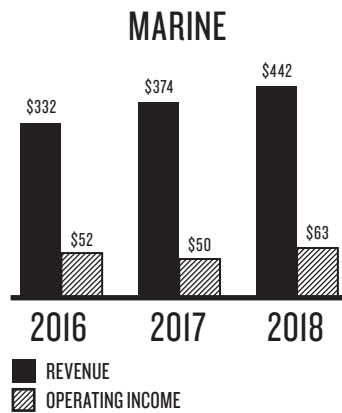
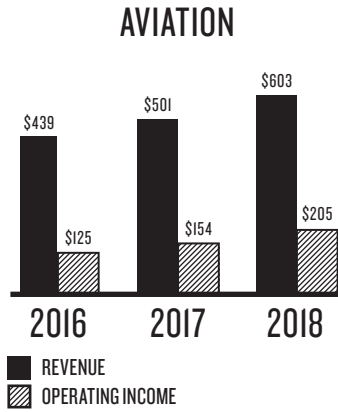
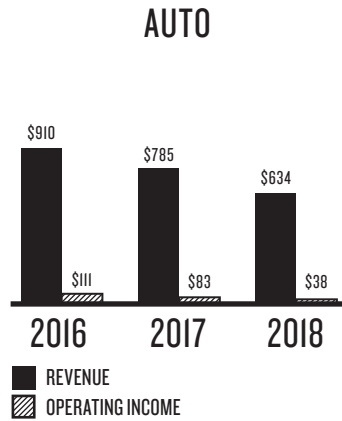
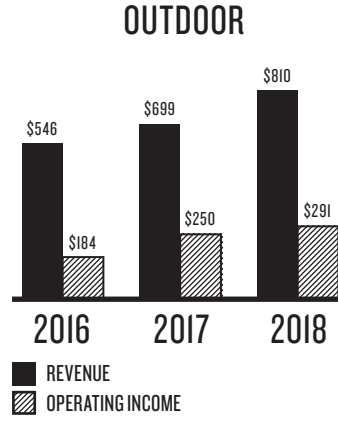
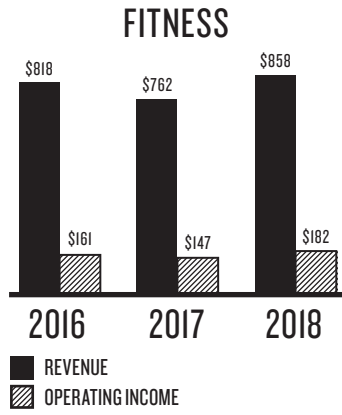
% OF TOTAL



# REVENUE & OPERATING INCOME

## BY SEGMENT

(IN MILLIONS)



# BOARD OF DIRECTORS

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## **JONATHAN C. BURRELL** ②③

CEO  
Burrell Family Office  
and Technical Expert

## **CHARLES W. PEFFER** ①②③

Retired Partner  
KPMG LLP

## **JOSEPH J. HARTNETT** ①②③

Former Interim President and CEO,  
Sparton Corp.  
Former President and CEO,  
Ingenient Technologies and USRobotics

## **CLIFTON A. PEMBLE**

President and CEO  
Garmin Ltd.

## **DR. MIN H. KAO**

Executive Chairman  
Garmin Ltd.

## **REBECCA R. TILDEN** ①②③

Former General Counsel and Corporate Secretary  
Applebee's Intl.

- ① Audit Committee
- ② Nominating and Corporate Governance Committee
- ③ Compensation Committee

# EXECUTIVE OFFICERS

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## **DR. MIN H. KAO**

Executive Chairman

## **PATRICK G. DESBOIS**

Executive Vice President, Operations  
Garmin International, Inc.

## **CLIFTON A. PEMBLE**

President and CEO

## **PHILIP I. STRAUB**

Executive Vice President and Managing Director, Aviation  
Garmin International, Inc.

## **DOUGLAS G. BOESSEN**

CFO and Treasurer

## **SEAN M. BIDDLECOMBE**

Managing Director, EMEA  
Garmin (Europe) Ltd.

## **ANDREW R. ETKIND**

Vice President, General Counsel and Secretary

## **ALVIS WANG**

General Manager  
Garmin Corp.

## **DANNY J. BARTEL**

Vice President, Worldwide Sales  
Garmin International, Inc.

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# INVESTOR RELATIONS

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investor.relations@garmin.com

Security analysts, investment professionals and shareholders can find investor relations information on the company's website at [Garmin.com/investors](http://Garmin.com/investors).

## TRANSFER AGENT

Computershare Trust Company, N.A.  
250 Royall Street  
Canton, MA 02021  
United States

## INDEPENDENT ACCOUNTANTS

Ernst & Young LLP

## MARKET INFORMATION

The shares of Garmin Ltd. are traded on the Nasdaq Stock Market, LLC under the symbol GRMN. Garmin Ltd. is a component of the S&P 500 Index.

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# PRINCIPAL OFFICES

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## GARMIN LTD.

Mühlentalstrasse 2  
8200 Schaffhausen  
Switzerland

## GARMIN INTERNATIONAL, INC.

1200 E. 151st St.  
Olathe, KS 66062-3426  
United States

## GARMIN (EUROPE) LTD.

Liberty House  
Hounsdown Business Park  
Southampton SO40 9LR  
United Kingdom

## GARMIN CORP.

No. 68, Zhangshu 2nd Rd.  
Xizhi Dist. New Taipei City 221  
Taiwan, R.O.C.



# GARMIN®



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