

**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)

98-0229227

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

N/A

(Zip Code)

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

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 vívoactive® 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 vívoactive 3 Music was released in 2018, which added music storage capabilities to the vívoactive 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.

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, Dynon 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.

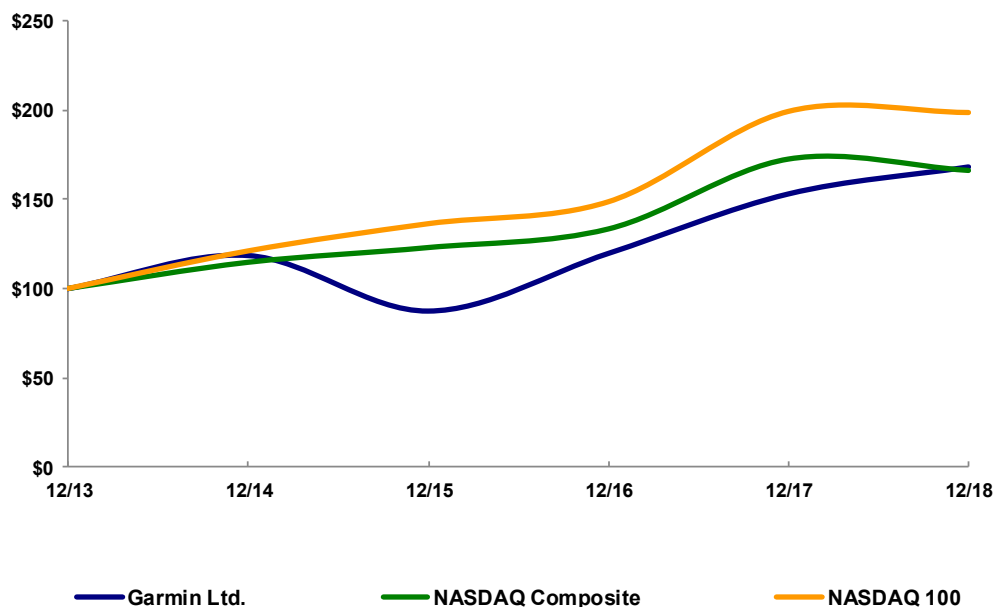
Stock Performance Graph

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)				
Consolidated Statements of					
Income Data:					
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
Balance Sheet Data (at end of Period):					
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):

	52-Weeks Ended	52-Weeks Ended	53-Weeks Ended
	December 29,	December 30,	December 31,
	2018	2017	2016
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, primarily 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	21%
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
Assets		
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	<u>120,512</u>	<u>153,912</u>
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	<u>20,991</u>	<u>21,115</u>
	1,273,494	1,162,157
Accumulated depreciation	<u>(609,967)</u>	<u>(566,473)</u>
	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	<u>100,255</u>	<u>107,352</u>
Total assets	<u>\$ 5,382,858</u>	<u>\$ 4,948,289</u>
Liabilities and Stockholders' Equity		
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	<u>200,483</u>	<u>95,975</u>
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	<u>8,430</u>	<u>56,428</u>
Total stockholders' equity	<u>4,162,974</u>	<u>3,852,419</u>
Total liabilities and stockholders' equity	<u>\$ 5,382,858</u>	<u>\$ 4,948,289</u>

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): (Note 6)			
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 (Note 10)	<u>\$ 3.68</u>	<u>\$ 3.77</u>	<u>\$ 2.74</u>
Diluted net income per share (Note 10)	<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)

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
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
Balance at December 26, 2015	\$ 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	—	—	—	—
Balance at December 31, 2016	\$ 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)
Balance at December 30, 2017	\$ 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)	—
Balance at December 29, 2018	\$ 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
Operating Activities:			
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	919,520	660,842	705,682
Investing activities:			
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	(29,170)	(90,471)	(77,945)
Net cash used in investing activities	(307,503)	(194,383)	(121,683)
Financing activities:			
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	-	(74,523)	(93,233)
Net cash used in financing activities	(286,161)	(448,412)	(561,676)
Effect of exchange rate changes on cash and cash equivalents	(15,810)	26,716	(8,656)
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	891,759	846,996	833,329
Cash, cash equivalents, and restricted cash at end of year	\$ 1,201,805	\$ 891,759	\$ 846,996

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

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:

	December 29, 2018	December 30, 2017
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:

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
Balance - beginning of period	\$ 36,827	\$ 37,233	\$ 30,449
Accrual for products sold ⁽¹⁾	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 ⁽¹⁾	Impact	As reported	Restated ⁽¹⁾	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 ⁽¹⁾	Impact	As reported	Restated ⁽¹⁾	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
Total	\$ 1,446,428	\$ 262	\$ (24,970)	\$ 1,421,720

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
Total	\$ (4,593)	\$ 379,011	\$ (38,005)	\$ 1,066,905

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
	\$ 1,555,575	\$ 1,513,112

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
Total	\$ 69,837

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:

	December 29, 2018	December 30, 2017
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	(4,568)	(7,267)
	\$ 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
	116,502	97,758
Net deferred tax assets	\$ 84,015	\$ 119,369

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:

	December 29, 2018	December 30, 2017	December 31, 2016
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	\$ 118,287	\$ 130,798	\$ 115,090

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.

	Reportable Segments					
	<u>Outdoor</u>	<u>Fitness</u>	<u>Marine</u>	<u>Auto</u>	<u>Aviation</u>	<u>Total</u>
52-Weeks Ended December 29, 2018						
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
52-Weeks Ended December 30, 2017						
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
53-Weeks Ended December 31, 2016						
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.

	<u>Americas</u>	<u>APAC</u>	<u>EMEA</u>	<u>Total</u>
December 29, 2018				
Net sales to external customers ⁽¹⁾	\$ 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 ⁽²⁾	2,726,196	995,272	441,506	4,162,974
December 30, 2017				
Net sales to external customers ⁽¹⁾	\$ 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 ⁽²⁾	2,375,522	982,898	493,999	3,852,419
December 31, 2016				
Net sales to external customers ⁽¹⁾	\$ 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 ⁽²⁾	2,188,417	933,999	330,844	3,453,260

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

⁽²⁾ 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:

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

Stock Options and SARs as of December 29, 2018			
Exercise Price	Awards Outstanding	Remaining Life (Years)	Awards Exercisable
	<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

	Weighted-Average	
	Grant Date Fair Value	Number of Shares
		<i>(In Thousands)</i>
Outstanding at December 26, 2015	\$ 39.45	1,657
Granted	\$ 40.59	1,241
Released/Vested	\$ 38.96	(565)
Cancelled	\$ 44.57	(509)
Outstanding at December 31, 2016	\$ 38.94	1,824
Granted	\$ 51.71	1,055
Released/Vested	\$ 39.31	(763)
Cancelled	\$ 40.40	(54)
Outstanding at December 30, 2017	\$ 45.30	2,062
Granted	\$ 58.66	1,050
Released/Vested	\$ 42.55	(961)
Cancelled	\$ 47.91	(52)
Outstanding at December 29, 2018	\$ 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	\$ 694,080	\$ 709,007	\$ 517,724
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	1,099	904	525
Denominator for diluted net income per share – adjusted weighted-average common shares	189,734	188,732	189,343
Basic net income per share	\$ 3.68	\$ 3.77	\$ 2.74
Diluted net income per share	\$ 3.66	\$ 3.76	\$ 2.73

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	\$ 47,327	\$ (38,897)	\$ 8,430

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)
	125	Income tax benefit (provision)
	\$ (702)	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:

	Fiscal Year Ended		
	December 29, 2018	December 30, 2017	December 31, 2016
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:

	Fiscal Year Ended			
	December 29, 2018		December 30, 2017	
	Deferred Revenue ⁽¹⁾	Deferred Costs ⁽²⁾	Deferred Revenue ⁽¹⁾	Deferred Costs ⁽²⁾
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>

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

⁽²⁾ 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. Pfeffer and Rebecca R. Tilden. Mr. Pfeffer 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. Pfeffer 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. 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.

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	--	--	--
Total	2,184,857	\$50.92	4,875,785

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)

Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts		
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
Total	<u>\$ 11,435</u>	<u>\$ 3,309</u>	<u>\$ -</u>	<u>\$ (4,689)</u>	<u>\$ 10,055</u>
Year Ended December 31, 2017:					
Deducted from asset accounts					
Allowance for doubtful accounts ⁽¹⁾	\$ 14,669	\$ 1,021	\$ -	\$ (11,522)	\$ 4,168
Valuation allowance - Deferred Tax Asset	4,622	3,077	-	(432)	7,267
Total	<u>\$ 19,291</u>	<u>\$ 4,098</u>	<u>\$ -</u>	<u>\$ (11,954)</u>	<u>\$ 11,435</u>
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
Total	<u>\$ 16,586</u>	<u>\$ 6,103</u>	<u>\$ -</u>	<u>\$ (3,398)</u>	<u>\$ 19,291</u>

⁽¹⁾ 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/ Jonathan C. Burrell
Jonathan C. Burrell
Director

/s/ Charles W. Pepper
Charles W. Pepper
Director

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

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

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.

<u>Exhibit Number</u>	<u>Document</u>
3.1	Articles of Association of Garmin Ltd., as amended and restated on June 8, 2018.
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
31.1	Chief Executive Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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32.1	Chief Executive Officer's Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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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

Statuten der Garmin Ltd. (Garmin AG) mit Sitz in Schaffhausen	Articles of Association of Garmin Ltd. (Garmin AG) with registered office in Schaffhausen
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Firma, Sitz und Zweck

Art. 1 Firma und Sitz

Unter der Firma Garmin Ltd. (Garmin AG) besteht eine Aktiengesellschaft gemäss den vorliegenden Statuten und den Vorschriften des Schweizerischen Obligationenrechtes (OR). Der Sitz der Gesellschaft ist in Schaffhausen.

Art. 2 Zweck

Die Gesellschaft bezweckt den Erwerb, das Halten, die Finanzierung, die Verwaltung und den Verkauf von Beteiligungen an inländischen sowie auch an ausländischen Unternehmen jeglicher Art.

Die Gesellschaft kann jede Art von finanzieller Unterstützung für und an Gruppengesellschaften gewähren, einschliesslich der Leistung von Garantien.

Die Gesellschaft kann ferner im In- und Ausland Zweigniederlassungen und Tochtergesellschaften errichten, sich an anderen Unternehmen im In- und Ausland beteiligen sowie solche Unternehmen erwerben und finanzieren. Im Weiteren kann die Gesellschaft im In- und Ausland Grundstücke und gewerbliche Schutzrechte erwerben, belasten, veräussern und verwalten sowie alle Geschäfte tätigen, die geeignet sein können, den Zweck der Gesellschaft zu fördern, oder die direkt oder indirekt damit in Zusammenhang stehen.

II. Aktienkapital und Aktien

Art. 3 Aktienkapital

Das Aktienkapital der Gesellschaft („**Aktienkapital**“) beträgt CHF 19'807'741.80 und ist eingeteilt in 198'077'418 Namenaktien („**Aktien**“) mit einem Nennwert von je CHF 0.10. Die Aktien sind vollständig liberiert.

Sacheinlage

Die Gesellschaft übernimmt bei der Kapitalerhöhung vom 27. Juni 2010 von der Garmin Ltd. mit Sitz in Camana Bay, Cayman Islands („**Garmin-Cayman**“), gemäss Sacheinlagevertrag vom 27. Juni 2010 („**Sacheinlagevertrag**“) 198,077,418 Aktien (*common shares*) von Garmin-Cayman. Diese Aktien werden zu einem Übernahmewert von insgesamt CHF 9,515,296,140 übernommen. Als Gegenleistung für die Sacheinlage (i) wird der Nennwert jeder Aktie von bisher CHF 0.01 auf neu CHF 10 erhöht und (ii) gibt die Gesellschaft insgesamt 198,077,418 voll

I. Company Name, Registered Office and Objects

Art. 1 Company Name and Registered Office

Under the company name of Garmin Ltd. (Garmin AG) exists a corporation pursuant to the present Articles of Association and the provisions of the Swiss Code of Obligations (CO). The registered office of the Company is in Schaffhausen.

Art. 2 Objects

The objects of the Company are the acquisition, holding, financing, management and sale of participations in Swiss and foreign enterprises of all kinds.

The Company may provide any kind of financial assistance, including guarantees, to and for group companies.

The Company may establish branches and subsidiaries in Switzerland and abroad as well as participate in, acquire and finance other enterprises in Switzerland and abroad. The company may acquire, encumber, sell and manage real estate and intellectual property rights in Switzerland and abroad. It may furthermore make all transactions which may be appropriate to promote the purpose of the company or which are directly or indirectly connected therewith.

II. Share Capital and Shares

Art. 3 Share Capital

The share capital of the Company (“**Share Capital**“) amounts to CHF 19,807,741.80 and is divided into 198,077,418 registered shares (“**Shares**“) with a nominal value of CHF 0.10 each. The Shares are fully paid up.

Art. 3 a) Contribution in Kind

In connection with the capital increase of June 27, 2010, and in accordance with the contribution in kind agreement dated as of June 27, 2010 (“**Contribution in Kind Agreement**“), the Company acquires 198,077,418 common shares of Garmin Ltd., with registered office in Camana Bay, Cayman Islands (“**Garmin-Cayman**“) from Garmin-Cayman. The shares of Garmin-Cayman have a total value of CHF 9,515,296,140. As consideration for this contribution, (i) the nominal value of each Share is increased from CHF 0.01 to CHF 10 and (ii) the Company issues a

einbezahlte Aktien mit einem Nennwert von je CHF 10 an Garmin-Cayman, handelnd im eigenen Namen und auf Rechnung derjenigen Aktionäre der Garmin-Cayman, die im Zeitpunkt unmittelbar vor Vollzug des Sacheinlagevertrages Aktionäre der Garmin Cayman waren, aus. Die Gesellschaft weist den Differenzbetrag von CHF 7,434,621,960 den Reserven aus Kapitaleinlage der Gesellschaft zu.

Art. 4 Anerkennung der Statuten

Jede Ausübung von Aktionärsrechten schliesst die Anerkennung der Gesellschaftsstatuten in der jeweils gültigen Fassung in sich ein.

Art. 5 Genehmigtes Kapital

Der Verwaltungsrat ist ermächtigt, jederzeit bis zum 8. Juni 2020 das Aktienkapital im Maximalbetrag von CHF 3,961,548.30 durch Ausgabe von höchstens 39,615,483 vollständig zu liberierenden Namenaktien mit einem Nennwert von je CHF 0.10. zu erhöhen. Erhöhungen in Teilbeträgen sind gestattet.

Der Verwaltungsrat legt den Ausgabebetrag, die Art der Einlagen, den Zeitpunkt der Ausgabe, die Bedingungen der Bezugsrechtsausübung und den Beginn der Dividendenberechtigung fest. Dabei kann der Verwaltungsrat neue Aktien mittels Festübernahme durch eine Bank oder einen Dritten und anschliessendem Angebot an die bisherigen Aktionäre ausgeben.

Der Verwaltungsrat ist ermächtigt, den Handel mit Bezugsrechten zu ermöglichen, zu beschränken oder auszuschliessen. Der Verwaltungsrat kann nicht ausgeübte Bezugsrechte verfallen lassen oder er kann diese bzw. Aktien, für welche Bezugsrechte eingeräumt, aber nicht ausgeübt werden, zu Marktkonditionen platzieren oder anderweitig im Interesse der Gesellschaft verwenden.

Der Verwaltungsrat ist ferner ermächtigt, das Bezugsrecht der Aktionäre zu beschränken oder aufzuheben und Dritten zuzuweisen, im Falle der Verwendung der Aktien:

(a) für die Ausgabe von neuen Aktien, wenn der Ausgabebetrag der neuen Aktien unter Berücksichtigung des Marktpreises festgesetzt wird; oder

(b) für die Übernahme von Unternehmen, Unternehmensteilen oder

total of 198,077,418 fully paid up Shares with a par value of CHF 10 each to Garmin-Cayman, acting in its own name and for the account of the holders of common shares of Garmin-Cayman outstanding immediately prior to the completion of the Contribution in Kind Agreement. The difference of CHF 7,434,621,960 is allocated to the reserves from capital contribution of the Company.

Art. 4 Recognition of Articles of Association

Any exercise of shareholders' rights automatically comprises recognition of the version of these Articles of Association in force at the time.

Art. 5 Authorized Capital

The Board of Directors is authorized, 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. An increase in partial amounts shall be permitted.

The Board of Directors shall determine the issue price, the type of payment, the date of issue of new shares, the conditions for the exercise of pre-emptive rights and the beginning date for dividend entitlement. In this regard, the Board of Directors may issue new shares by means of a firm underwriting through a banking institution or a third party and a subsequent offer of these shares to the current shareholders.

The Board of Directors is entitled to permit, to restrict or to exclude the trade with pre-emptive rights. The Board of Directors may permit pre-emptive rights that have not been exercised to expire or it may place these rights and/or shares as to which pre-emptive rights have been granted but not exercised at market conditions or use them for other purposes in the interest of the Company.

The Board of Directors is further authorized to limit or withdraw the pre-emptive rights of shareholders and allocate such rights to individual shareholders or to third parties if the shares are to be used:

- (a) for issuing new shares if the issue price of the new shares is determined by reference to the market price; or
- (b) for the acquisition of an enterprise, parts of an enterprise or participations or for new investment projects or for purposes of financing or refinancing any such transactions; or

Beteiligungen oder für neue Investitionsvorhaben oder für die Finanzierung oder Refinanzierung solcher Transaktionen; oder

- (c) zum Zwecke der Erweiterung des Aktionärskreises in gewissen Finanz- oder Investorenmärkten oder im Zusammenhang mit der Kotierung der Aktien an inländischen oder an ausländischen Börsen; oder
- (d) für nationale und internationale Aktienplatzierungen zum Zwecke der Erhöhung des Streubesitzes oder zur Einhaltung anwendbarer Kotierungsvorschriften; oder
- (e) zwecks Beteiligung von strategischen Investoren; oder
- (f) für die Einräumung einer Mehrzuteilungsoption ("greenshoe") an ein oder mehrere Finanzinstitute im Zusammenhang mit einer Aktienplatzierung; oder
- (g) für die Beteiligung von Verwaltungsräten, Geschäftsleitungsmitgliedern, Mitarbeitern, Beauftragten, Beratern der Gesellschaft oder einer Gruppengesellschaft, oder anderen Personen, die Dienstleistungen an die Gesellschaft oder eine Gruppengesellschaft erbringen; oder
- (h) um Kapital auf eine schnelle und flexible Weise zu beschaffen, welche ohne den Ausschluss der Bezugsrechte der bestehenden Aktionäre nur schwer möglich wäre.

Zeichnung und Erwerb der neuen Aktien sowie jede nachfolgende Übertragung der Aktien unterliegen den Beschränkungen von Artikel 8 dieser Statuten.

Art. 6 Bedingtes Aktienkapital

Das Aktienkapital kann sich durch Ausgabe von höchstens 99'038'709 voll zu liberierenden Namenaktien im Nennwert von je CHF 0.10 um höchstens CHF 9'903'870.90 erhöhen durch:

die Ausübung von Optionsrechten, die Mitarbeitern und / oder Mitgliedern des Verwaltungsrates der Gesellschaft oder einer Gruppengesellschaft gewährt werden.

Das Bezugsrecht der Aktionäre ist ausgeschlossen.

Die Aktien, welche über die Ausübung von Umwandlungsrechten erworben werden, unterliegen den Eintragungsbeschränkungen in das Aktienbuch gemäss Art. 8 dieser Statuten.

- (c) for the purpose of broadening the shareholder constituency in certain financial or investor markets or in connection with the listing of new shares on domestic or foreign stock exchanges; or
- (d) for purposes of national and international offerings of shares for the purpose of increasing the free float or to meet applicable listing requirements; or
- (e) for purposes of the participation of strategic partners; or
- (f) for an over-allotment option ("greenshoe") being granted to one or more financial institutions in connection with an offering of shares; or
- (g) for the participation of directors, officers, employees, contractors, consultants of, or other persons providing services to the Company or a group company; or
- (h) for raising capital in a fast and flexible manner which could only be achieved with great difficulty without exclusion of the pre-emptive rights of the existing shareholders.

The subscription and acquisition of the new shares as well as any subsequent transfer of the shares shall be subject to the restrictions pursuant to Article 8 of these articles of association.

Art. 6 Conditional Share Capital

The Share Capital may be increased in an amount not to exceed CHF 9,903,870.90 through the issuance of up to 99,038,709 fully paid-up registered Shares with a par value of CHF 0.10 each through:

the exercise of option rights which are granted to employees and / or members of the board of directors of the Company or group companies.

The preferential subscription rights of the shareholders are excluded.

The Shares acquired through the exercise of rights shall be subject to the limitations for registration in the share register pursuant to Art. 8 of these Articles of Association.

Art. 7 Aktienzertifikate

Anstelle von einzelnen Aktien können Aktienzertifikate über mehrere Aktien ausgestellt werden. Aktien und Zertifikate sind durch ein Mitglied des Verwaltungsrates zu unterzeichnen.

Ein Aktionär hat nur dann Anspruch auf die Ausgabe eines Aktienzertifikates, wenn der Verwaltungsrat die Ausgabe von Aktienzertifikaten beschliesst. Aktienzertifikate werden in der vom Verwaltungsrat festgelegten Form ausgegeben. Ein Aktionär kann jederzeit eine Bescheinigung über die Anzahl der von ihm gehaltenen Aktien verlangen.

Die Gesellschaft kann jederzeit auf die Ausgabe und Aushändigung von Zertifikaten verzichten und mit Zustimmung des Aktionärs ausgegebene Urkunden, die bei ihr eingeliefert werden, ersatzlos annullieren.

Der Verwaltungsrat kann beschliessen, den Aktionären anstelle von Wertpapieren einfache Beweisurkunden über ihre Beteiligung auszustellen.

Die Gesellschaft kann ihre Aktien als Wertrechte gemäss Schweizerischem Obligationenrecht und Bucheffekten gemäss Bucheffektengesetz ausgeben.

Art. 8 Aktienbuch, Eintragungsbeschränkungen, Nominees

Die Gesellschaft selbst oder ein von ihr beauftragter Dritter führt ein Aktienbuch („**Aktienbuch**“). Darin werden die Eigentümer und Nutzniesser der Namenaktien sowie Nominees mit Namen und Vornamen, Adresse und Staatsangehörigkeit (bei Rechtseinheiten mit Firma und Sitz) eingetragen. Ändert eine im Aktienbuch eingetragene Zivilrechtliche Person ihre Adresse, so hat sie dies dem Aktienbuchführer mitzuteilen. Solange dies nicht geschehen ist, gelten alle schriftlichen Mitteilungen der Gesellschaft an die im Aktienbuch eingetragenen Zivilrechtlichen Personen als rechtsgültig an die bisher im Aktienbuch eingetragene Adresse erfolgt.

Ein Erwerber von Namenaktien wird auf Gesuch als Aktionär mit Stimmrecht im Aktienbuch eingetragen, vorausgesetzt, dass ein solcher Erwerber auf Aufforderung durch die Gesellschaft ausdrücklich erklärt, die Namenaktien im eigenen Namen und auf eigene Rechnung erworben zu haben. Der Verwaltungsrat kann Nominees, welche Namenaktien im eigenen Namen aber auf fremde Rechnung halten, als Aktionäre mit Stimmrecht im Aktienbuch der Gesellschaft eintragen. Der Verwaltungsrat kann

Art. 7 Share Certificates

In lieu of single shares, the Company may issue share certificates covering several shares. Shares and certificates shall be signed by a member of the Board of Directors.

A shareholder shall be entitled to a share certificate only if the Board of Directors resolves that share certificates shall be issued. Share certificates, if any, shall be in such form as the Board of Directors may determine. A shareholder may at any time request an attestation of the number of registered Shares held by it.

The Company may dispense with the obligation to issue and deliver certificates, and may, with the consent of the shareholder, cancel without replacement issued certificates delivered to the Company.

The Board of Directors may decide to issue to the shareholders, in lieu of securities, simple documentary evidence for their participation.

The Company may issue its Shares as uncertificated securities within the meaning of the Swiss Code of Obligations and as intermediated securities within the meaning of the Intermediated Securities Act.

Art. 8 Share Register, Restrictions on Registration, Nominees

The Company shall maintain, itself or through a third party, a share register (“**Share Register**”) that lists the surname, first name, address and citizenship (or the name and registered office for legal entities) of the owners and usufructuaries of the registered Shares as well as the nominees. A Person recorded in the Share Register shall notify the share registrar of any change in address. Until such notification shall have occurred, all written communication from the Company to Persons of record shall be deemed to have validly been made if sent to the address recorded in the Share Register.

An acquirer of registered Shares shall be recorded upon request in the Share Register as a shareholder with voting rights; provided, however, that any such acquirer upon request of the Company expressly declares to have acquired the registered Shares in its own name and for its own account. The Board of Directors may record nominees who hold registered Shares in their own name, but for the account of third parties, as shareholders with voting rights in the Share Register of the Company. The Board of Directors may set forth the

Kriterien für die Billigung solcher Nominees als Aktionäre mit Stimmrecht festlegen. Die an den Namenaktien wirtschaftlich Berechtigten, welche die Namenaktien über einen Nominee halten, üben Aktionärsrechte mittelbar über den Nominee aus.

Sollte der Verwaltungsrat die Eintragung eines Aktionärs als Aktionär mit Stimmrecht ablehnen, muss dem Aktionär diese Ablehnung innerhalb von 20 Tagen nach Erhalt des Eintragungsgesuches mitgeteilt werden. Aktionäre, die nicht als Aktionäre mit Stimmrecht anerkannt wurden, sind als Aktionäre ohne Stimmrecht im Aktienbuch einzutragen.

Der Verwaltungsrat kann nach Anhörung des eingetragenen Aktionärs dessen Eintragung im Aktienbuch als Aktionär mit Stimmrecht mit Rückwirkung auf das Datum der Eintragung streichen, wenn diese durch falsche oder irreführende Angaben zustande gekommen ist. Der Betroffene muss über die Streichung sofort informiert werden.

Sofern die Gesellschaft an einer Börse im Ausland kotiert ist, ist es der Gesellschaft mit Bezug auf den Regelungsgegenstand dieses Art. 8 und soweit gesetzlich zulässig gestattet, die in der jeweiligen Rechtsordnung geltenden Vorschriften und Normierungen anzuwenden.

Zehn Tage vor einer Generalversammlung bis zu dem auf die Generalversammlung folgenden Tag nimmt die Gesellschaft keine Eintragungen in das Aktienbuch vor.

Art. 9 Übertragung

Die Übertragung von Namenaktien und aller damit verbundenen Rechte zu Eigentum oder zur Nutzniessung erfolgt durch Indossament (Unterschrift) auf dem Aktientitel oder Zertifikat und Besitzesübertragung. Falls keine Aktientitel oder Zertifikate bestehen, erfolgt die Übertragung der Aktien zu Eigentum oder zur Nutzniessung durch eine schriftliche Abtretungserklärung.

Die Verfügung über die als Bucheffekten ausgegebenen Aktien erfolgt gemäss Bucheffektengesetz.

Im Rahmen des gesetzlich zulässigen und unter Vorbehalt der übrigen Bestimmungen dieses Art. 9 darf die Übertragung von unsertifizierten Aktien, die im Namen eines Aktionärs durch einen Transfer Agenten, Trust oder einer ähnlichen Einrichtung (der „**Transfer Agent**“) verwaltet werden, nur in Co-Operation mit diesem Transfer Agenten erfolgen.

relevant requirements for the acceptance of nominees as shareholders with voting rights. Beneficial owners of registered Shares who hold registered Shares through a nominee exercise the shareholders' rights through the intermediation of such nominee.

If the Board of Directors refuses to register a shareholder as a shareholder with voting rights, it shall notify the shareholder of such refusal within 20 days upon receipt of the application. Nonrecognized shareholders shall be entered in the Share Register as shareholders without voting rights.

After hearing the registered shareholder concerned, the Board of Directors may cancel the registration of such shareholder as a shareholder with voting rights in the Share Register with retroactive effect as of the date of registration if such registration was made based on false or misleading information. The relevant shareholder shall be informed promptly of the cancellation.

In case the Company is listed on any foreign Exchange, the Company is permitted to comply with the relevant rules and regulations that are applied in that foreign jurisdiction with regard to the subject of this Art. 8 to the extent permitted by Swiss law.

From ten days prior to a general meeting of the shareholders until the day following the general meeting of the shareholders, the Company shall not undertake any registration in the Share Register.

Art. 9 Transfer

The transfer of ownership or the granting of a usufruct in registered Shares and in all the rights connected therewith shall be made by endorsement (signature) of the share title or certificate and by transfer of possession. If neither share titles nor certificates have been issued, such transfer shall be made by written declaration of assignment.

The transfer of Shares issued as intermediated securities, including the granting of security interests, shall be made according to the Intermediated Securities Act.

Subject to the provisions contained in this Art. 9 and to the extent permitted by applicable law if uncertificated securities are administered on behalf of a shareholder by a transfer agent, trust company or similar entity („**Transfer Agent**“), such securities and the rights deriving from them may be transferred only with the cooperation of the Transfer Agent.

Umwandlung und Zerlegung von Aktien

Durch Änderung der Statuten kann die Generalversammlung jederzeit Namenaktien in Inhaberaktien umwandeln und umgekehrt.

Sie ist ferner befugt, Aktien in solche von kleinerem Nennwert zu zerlegen oder mit Zustimmung des Aktionärs zu solchen von grösserem Nennwert zusammenzulegen.

Art. 11 Bezugsrechte

Im Falle der Erhöhung des Aktienkapitals durch Ausgabe neuer Aktien haben die bisherigen Aktionäre ein Bezugsrecht im Verhältnis ihrer bisherigen Beteiligung, sofern die Generalversammlung dieses Recht nicht aus wichtigen Gründen einschränkt oder ausschliesst. Wichtige Gründe sind insbesondere die Übernahme von Unternehmen, Unternehmensteilen oder Beteiligungen sowie die Beteiligung der Arbeitnehmer.

Die Generalversammlung setzt die Emissionsbedingungen fest, sofern sie nicht durch Beschluss den Verwaltungsrat dazu ermächtigt. Der Verwaltungsrat setzt die Einzahlungsbedingungen fest und gibt die Emissions- und Einzahlungsbedingungen den bezugsberechtigten Aktionären bekannt.

III. Organisation

A. Die Generalversammlung

Art. 12 Befugnisse

Oberstes Organ der Gesellschaft ist die Generalversammlung. Ihr stehen folgende unübertragbare Befugnisse zu:

1. Festsetzung und Änderung der Statuten; vorbehalten bleibt Art. 27;
2. Festsetzung der Zahl der Mitglieder des Verwaltungsrates sowie Wahl und Abberufung derselben;
3. Wahl und Abberufung des Verwaltungsratspräsidenten;
4. Wahl und Abberufung der Mitglieder des für Vergütungsfragen zuständigen Ausschusses ("**Vergütungsausschuss**");
5. Wahl und Abberufung des unabhängigen Stimmrechtsvertreters;
6. Wahl und Abberufung der Revisionsstelle;
7. Genehmigung des Lageberichtes des Verwaltungsrates;

Art. 10 Conversion and Splitting of Shares

The general meeting of the shareholders may at any time convert registered shares into bearer shares and vice versa by amending the Articles of Association.

Furthermore, it is authorized to split shares into shares with lower nominal value or with the approval of the shareholder to consolidate shares into shares with higher nominal value.

Art. 11 Subscription Rights

In the event of an increase of the Share Capital by issuing new shares, each existing shareholder has subscription rights in proportion to his/her existing shareholding, to the extent the general meeting of the shareholders does not restrict or exclude this right for important reasons. Important reasons are, in particular, the takeover of companies, of company parts, or of participations, as well as the participation of employees.

The general meeting of the shareholders shall determine the terms of the share issue to the extent it has not, by resolution, authorized the Board of Directors to do so. The Board of Directors shall determine the payment terms and communicate the issue and payment terms to the shareholders entitled to subscription rights.

III. Organization

A. The General Meeting

Art. 12 Authority

The general meeting of the shareholders is the supreme corporate body of the Company. It has the following non-transferable powers:

1. adoption and amendment of the Articles of Association; Art. 27 remains reserved;
2. determination of the number of members of the Board of Directors as well as their election and removal;
3. election and removal of the chair of the Board of Directors;
4. election and removal of the members of the committee responsible for compensation matters ("**Compensation Committee**");
5. election and removal of the independent voting rights representative;
6. appointment and removal of the Auditors;
7. approval of the management report of the Board of Directors;

8. Genehmigung der Jahresrechnung und einer allfälligen Konzernrechnung;
9. Beschlussfassung über die Verwendung des Bilanzgewinnes, insbesondere Festsetzung der Dividende sowie der Tantième des Verwaltungsrates;
10. Genehmigung der Vergütung des Verwaltungsrates und der Geschäftsleitung gemäss Art. 22 a) dieser Statuten;
11. Entlastung der Mitglieder des Verwaltungsrates und der übrigen mit der Geschäftsführung betrauten Zivilrechtlichen Personen;
12. Beschlussfassung über die Gegenstände, die der Generalversammlung durch das Gesetz oder die Statuten vorbehalten sind;
13. Die Genehmigung von Zusammenschlüssen (die Definition eines Zusammenschlusses findet sich in Art. 41 dieser Statuten), (i) soweit sich die Zuständigkeit der Generalversammlung nicht bereits aus Art. 12 Ziff. 1. bis 8 ergibt und (ii) soweit nicht zwingend ein anderes Organ der Gesellschaft zuständig ist.

Art. 13 Recht zur Einberufung

Die Generalversammlung wird vom Verwaltungsrat, nötigenfalls von der Revisionsstelle, einberufen. Das Einberufungsrecht steht auch den Liquidatoren und den Vertretern der Anleiensgläubiger zu. Sie findet am Gesellschaftssitz oder an einem anderen Ort im In- oder Ausland oder, soweit nach den gesetzlichen Bestimmungen zulässig, ausschliesslich in einer vom Verwaltungsrat von Zeit zu Zeit festgelegten virtuellen Form statt.

Die ordentliche Generalversammlung findet alljährlich innerhalb von sechs Monaten nach Abschluss des Geschäftsjahres statt, ausserordentliche Versammlungen werden nach Bedürfnis abgehalten.

Art. 14 Form der Einberufung

Die Generalversammlung wird durch einmalige Anzeige in der in Art. 39 für Mitteilungen an die Aktionäre vorgeschriebenen Art und Weise einberufen. Diese Anzeige muss mindestens 20 Tage vor der Generalversammlung ergehen.

Tag, Zeit und Ort der Generalversammlung, die Verhandlungsgegenstände (Traktandenliste) sowie die Anträge des Verwaltungsrates und der Aktionäre, welche die Durchführung der Generalversammlung oder die Traktandierung eines Verhandlungsgegenstandes verlangt haben, sind bei der Einberufung bekannt zu geben.

Die Aktionäre sind bei der ordentlichen Generalversammlung darüber zu orientieren, dass der

8. approval of the annual financial accounts and (if applicable) the group accounts;
9. resolution on the application of the balance sheet profit, in particular, determination of dividend and the profit share of the Board of Directors;
10. approval of the compensation of the Board of Directors and Executive Management pursuant to Art. 22 a) of these Articles of Association;
11. discharge of the members of the Board of Directors and the Persons entrusted with the management;
12. resolution on matters which are reserved to the general meeting of the shareholders either by law or the Articles of Association;
13. the approval of Business Combinations (definition of this term is in Art. 41 of these Articles of Association), if and to the extent that such approval (i) is not covered by the powers of the general meeting pursuant to Art. 12 (1) to (8) and (ii) that it is not an inalienable power of another corporate body of the Company.

Art. 13 Right to call a General Meeting

The general meeting of the shareholders shall be called by the Board of Directors or, if necessary, by the Auditors. Liquidators and representatives of bond creditors are also entitled to call the general meeting of the shareholders. It shall be held at the Company's registered office or at another place in Switzerland or abroad or, to the extent permissible under applicable laws, solely in virtual form, as determined by the Board of Directors from time to time.

The ordinary general meeting of the shareholders shall take place annually within six months after the end of the business year, extraordinary general meetings of the shareholders shall be held as necessary.

Art. 14 Form of the calling of a General Meeting

The general meeting of the shareholders shall be convened by a single notice as provided for in Art. 39 regarding the manner of communications to shareholders. Such notice must be given at least 20 days prior to the general meeting of the shareholders.

The calling shall state the date, time and place of the general meeting of the shareholders as well as the agenda and motions of the Board of Directors and of the shareholders who have requested the holding of a general meeting of the shareholders or the inclusion of an item on the agenda.

As far as the ordinary general meeting is concerned, the shareholders have to be notified, that the annual

Geschäftsbericht (Lagebericht des Verwaltungsrates und Jahresrechnung, bestehend aus Erfolgsrechnung, Bilanz und Anhang), der Vergütungsbericht und die Revisionsberichte mindestens 20 Tage vor dem Versammlungstag zur Einsicht der Aktionäre am Sitz der Gesellschaft auflegen, sowie dass jeder Aktionär verlangen kann, dass ihm unverzüglich eine Ausfertigung dieser Unterlagen zugestellt wird.

Über Gegenstände, die nicht in dieser Weise angekündigt worden sind, können Beschlüsse nicht gefasst werden, ausser über einen Antrag auf Einberufung einer ausserordentlichen Generalversammlung, auf Durchführung einer Sonderprüfung oder auf Wahl einer Revisionsstelle infolge eines Begehrens eines Aktionärs nach Art. 727a Abs. 4 OR.

Art. 15 Universalversammlung

Die Eigentümer oder Vertreter sämtlicher Aktien können, falls kein Widerspruch erhoben wird, eine Generalversammlung ohne Einhaltung der für die Einberufung vorgeschriebenen Formvorschriften abhalten.

In dieser Versammlung kann über alle in den Geschäftskreis der Generalversammlung fallenden Gegenstände gültig verhandelt und Beschluss gefasst werden, solange die Eigentümer oder Vertreter sämtlicher Aktien anwesend sind.

Art. 16 Vorsitz und Protokoll

Die Generalversammlung wird durch den Präsidenten bzw. Vizepräsidenten des Verwaltungsrates, den Chief Executive Officer, den Sekretär des Verwaltungsrates oder eine vom Verwaltungsrat ernannte Person geleitet.

Der Vorsitzende ernennt den Protokollführer und den oder die Stimmzähler. Der Protokollführer und der oder die Stimmzähler müssen nicht Aktionäre sein. Der Vorsitzende kann zugleich auch Protokollführer und Stimmzähler sein.

Über die Beschlüsse und Wahlen der Generalversammlung ist ein Protokoll zu führen, das vom Vorsitzenden und vom Protokollführer zu unterzeichnen ist. Es hält die Angaben gemäss Art. 702 Abs. 2 OR fest.

Die Aktionäre sind berechtigt, das Protokoll einzusehen.

Stimmrecht und Vertretung

Jede Aktie berechtigt zu einer Stimme.

business report (the management report of the Board of Directors and the annual financial accounts, comprising the profit and loss statement, the balance sheet and notes), the compensation report and the audit reports are open to inspection by the shareholders at the registered office at least 20 days prior to the date of the general meeting of the shareholders and that any shareholder may request that a copy of these documents be immediately sent to him/her.

No resolutions may be passed on agenda items which have not been announced in this manner, except on motions for the calling of an extraordinary general meeting of the shareholders, for the conduct of a special audit or the appointment of auditors at the request of a shareholder pursuant to Art. 727a paragraph 4 CO.

Art. 15 Universal Meeting

The holders of all Shares or their representatives may, if no objection is raised, hold a general meeting of the shareholders without observing the formalities required for the calling of a general meeting of the shareholders.

Provided the holders of all shares or their representatives are present, all items within the powers of a general meeting of the shareholders may validly be discussed and resolved at such a meeting.

Art. 16 Chairperson and Minutes

The general meeting of the shareholders shall be chaired by the Chairman, the vice-chairman of the Board of Directors, Chief Executive Officer, Corporate Secretary or any person appointed by the Board of Directors.

The chairperson shall appoint the keeper of the minutes and the scrutineer(s). The keeper of the minutes and the scrutineer(s) need not be shareholders. The chairperson may also be the keeper of the minutes and the scrutineer.

Minutes shall be kept of the resolutions and votes of the general meeting of the shareholders that shall be signed by the chairperson and the keeper of the minutes. They shall contain the information required by Art. 702 paragraph 2 CO.

Shareholders may inspect the minutes.

Art. 17 Voting Rights and Representation

Each share carries one vote.

Sofern die Statuten es vorsehen, ist jeder an einem bestimmten, durch den Verwaltungsrat vorgegebenen Stichtag, im Aktienbuch eingetragene Aktionär berechtigt, an der Generalversammlung teilzunehmen und an der Beschlussfassung mitzuwirken.

Die Aktionäre wählen den unabhängigen Stimmrechtsvertreter an einer Generalversammlung für eine Amtszeit bis zum Abschluss der nächsten ordentlichen Generalversammlung. Wiederwahl ist möglich. Ist das Amt des unabhängigen Stimmrechtsvertreters aus irgendeinem Grund vakant, ernennt der Verwaltungsrat einen unabhängigen Stimmrechtsvertreter für die nächste Generalversammlung.

Jeder Aktionär kann sich in der Generalversammlung durch einen anderen Aktionär, einen Dritten oder den unabhängigen Stimmrechtsvertreter vertreten lassen. Vertreter haben sich durch eine schriftliche Vollmacht auszuweisen, wobei die Vollmacht und die Weisungen an den unabhängigen Stimmrechtsvertreter auch in einer vom Verwaltungsrat von Zeit zu Zeit festgelegten elektronischen Form erteilt werden können.

Die Gesellschaft anerkennt nur einen Vertreter für jede Aktie.

Der Verwaltungsrat kann die Einzelheiten über die Vertretung und Teilnahme an der Generalversammlung in Verfahrensvorschriften regeln, einschliesslich mittels Verfahrensvorschriften in der Einladung zur Generalversammlung oder in den Stimmrechtskarten, die den Aktionären im Zusammenhang mit einer Generalversammlung zugestellt werden.

Stimmrechte und die damit verbundenen Rechte können der Gesellschaft gegenüber von einem Aktionär oder Nutzniesser der Aktien jeweils nur in dem Umfang ausgeübt werden, wie diese Person mit Stimmrecht im Aktienbuch eingetragen ist.

Art. 18 Teilnahme der Mitglieder des Verwaltungsrates

Die Mitglieder des Verwaltungsrates sind berechtigt, an der Generalversammlung teilzunehmen. Sie können Anträge stellen.

Art. 19 Beschlussfassung und Wahlen

Die Generalversammlung fasst ihre Beschlüsse und vollzieht ihre Wahlen mit der Mehrheit der abgegebenen Aktienstimmen, unter Ausschluss der leeren, ungültigen und nicht ausübbaren Stimmen, soweit Gesetz oder Statuten nichts anderes bestimmen.

If provided in these Articles of Association, each shareholder recorded in the Share Register on a specific qualifying day which may be designated by the Board of Directors shall be entitled to participate at the general meeting of the shareholders and in any vote taken.

The shareholders shall elect the independent voting rights representative at a general meeting of the shareholders for a term of office extending until completion of the next annual general meeting. Re-election is possible. If the office of the independent voting rights representative is vacant, for any reason, the Board of Directors shall appoint an independent voting rights representative for the next general meeting of shareholders.

Each shareholder may arrange representation through another shareholder, a third party or the independent voting rights representative. The representative must produce a written power of attorney; provided, however, that the proxy and the instructions to the independent voting rights representative may also be granted by electronic means as determined by the Board of Directors from time to time.

The Company shall acknowledge only one representative for each share.

The Board of Directors may issue the particulars of the right to representation and participation at the general meeting of the shareholders in procedural rules, including in procedural rules included in the notice of the general meeting of the shareholders or the proxy cards made available to shareholders in connection with a general meeting of the shareholders.

Voting rights and rights derived from them may be exercised in relation to the Company by a shareholder or usufructuary of Shares only to the extent that such Person is recorded in the Share Register with the right to exercise his voting rights.

Art. 18 Participation of the Members of the Board of Directors

The members of the Board of Directors may take part in the general meeting of the shareholders. They may submit motions.

Art. 19 Resolutions and Voting

The general meeting of the shareholders shall pass its resolutions and elections with a majority of the share votes cast, excluding unmarked, invalid and non-exercisable votes, to the extent not otherwise stated by the law or the Articles of Association. Where the votes

Bei Stimmengleichheit gilt ein Beschluss als nicht zustande gekommen; bei Wahlen entscheidet das Los.

Art. 20 Besonderes Stimmen-Quorum

Folgende Beschlüsse müssen von Gesetzes wegen mindestens zwei Drittel der vertretenen Stimmen und die absolute Mehrheit der vertretenen Aktiennennwerte auf sich vereinigen:

1. Änderung des Gesellschaftszweckes;
2. Einführung von Stimmrechtsaktien;
3. Beschränkung der Übertragbarkeit von Namenaktien;
4. Genehmigte oder bedingte Kapitalerhöhung;
5. Kapitalerhöhung aus Eigenkapital, gegen Sacheinlage oder zwecks Sachübernahme und die Gewährung von besonderen Vorteilen;
6. Einschränkung oder Aufhebung des Bezugsrechtes;
7. Verlegung des Sitzes der Gesellschaft;
8. Auflösung der Gesellschaft;
9. Fusionsbeschluss gemäss Art. 18 des Fusionsgesetzes (FusG), Spaltungsbeschluss gemäss Art. 43 FusG und Umwandlungsbeschluss gemäss Art. 64 FusG.

Im Rahmen des gesetzlich Zulässigen und unter Vorbehalt anderslautender Vorschriften in diesem Art. 20 ist für folgende Gegenstände ein Beschluss der Generalversammlung erforderlich, der mindestens 75 % der an der Generalversammlung vertretenen Aktien auf sich vereinigt:

1. Die Genehmigung von Zusammenschlüssen (die Definition eines Zusammenschlusses findet sich in Art. 41 dieser Statuten) gemäss Art. 12 (9) dieser Statuten. Dieses besondere Zustimmungserfordernis ist nicht erforderlich für Zusammenschlüsse, welche von der Mehrheit der Unparteiischen Mitgliedern des Verwaltungsrates (die Definition der Unparteiischen Mitglieder des Verwaltungsrates findet sich in Art. 41 der Statuten) genehmigt wurden. Für solche von der Mehrheit der Unparteiischen Mitgliedern des Verwaltungsrates genehmigte Zusammenschlüsse genügen die im Gesetz oder in den Statuten vorgesehenen Mehrheiten, je nach dem welche strenger sind. Für den Zweck dieser Bestimmung ist die Mehrheit der Unparteiischen Mitglieder des Verwaltungsrates berechtigt und verpflichtet, gestützt auf die ihnen nach angemessenem Aufwand zur Verfügung stehenden Informationen zu bestimmen, (i) ob eine Person ein Nahestehender Aktionär ist; (ii) die Anzahl Aktien, die eine Person oder eine Gesellschaft

are tied, a resolution shall be deemed not to be passed; in the case of elections, the decision shall be by lot.

Art. 20 Special Vote

The following resolutions require by law two thirds of the votes represented and the absolute majority of the nominal value of the Shares represented in favor:

1. amendment of the Company objects;
2. creation of Shares with privileged voting rights;
3. restriction on the transferability of registered Shares;
4. approved or conditional capital increase;
5. capital increase out of equity, by way of contributions in kind or for the purpose of acquisition of assets and the granting of special benefits;
6. restriction or withdrawal of subscription rights;
7. relocation of the registered office of the Company;
8. winding-up of the Company;
9. merger resolution pursuant to Art. 18 of the Merger Act (FusG), demerger resolution pursuant to Art. 43 FusG and transformation resolution pursuant to Art. 64 FusG.

Subject to the provisions of the applicable law and except as otherwise expressly provided in this Art. 20, the approval of at least 75 % of the Shares represented at a general meeting of the shareholders shall be required for:

1. The approval of Business Combinations (definition of this term is in Art. 41 of these Articles of Association) pursuant to Art. 12 (9) of these Articles of Association. The foregoing requiring a special resolution of the shareholders shall not be applicable to any particular Business Combination, and such Business Combination shall require only such vote as is required by the law or by these Articles of Association, whichever is greater, if the Business Combination shall have been approved by a majority of the Disinterested Directors (as hereinafter defined in Art. 41 of these Articles of Association) whereby it is understood that such majority of the Disinterested Directors shall have the power and duty to determine for the purposes of this Article, on the basis of information known to them after reasonable inquiry, (i) whether a person is an Interested Shareholder; (ii) the number of Shares of which any person is the beneficial owner; (iii) whether a Person is an Affiliate of another; and (iv) whether the assets which are the subject of

direkt oder indirekt hält; (iii) ob eine Gesellschaft eine Nahestehende Gesellschaft einer anderen ist; und ob (iv) die Aktiven, welche Gegenstand eines solchen Zusammenschlusses sind oder die von der Gesellschaft oder einer ihrer Tochtergesellschaften im Zusammenhang mit einem solchen Zusammenschluss ausgehenden oder übertragenden Effekten einen aggregierten Marktwert von mindestens 25 % des Marktwertes der gesamten Aktiven unmittelbar vor dem Zusammenschluss haben. Die Mehrheit der Unparteiischen Mitglieder des Verwaltungsrates hat zudem das Recht, sämtliche Bestimmungen und Begriffe dieses Art. 20 auszulegen.

2. Jede Änderung dieser Bestimmung.

Ein Beschluss der Generalversammlung der mindestens zwei Drittel der Gesamtstimmen (die Definition von Gesamtstimmen findet sich in Art. 41 dieser Statuten) auf sich vereinigt, ist erforderlich für:

1. Die Abwahl eines amtierenden Mitglieds des Verwaltungsrates
2. Jede Änderung dieser Bestimmung

Ein Beschluss der Generalversammlung der mindestens 75 % der Gesamtstimmen (die Definition von Gesamtstimmen findet sich in Art. 41 dieser Statuten) auf sich vereinigt, ist erforderlich für:

1. Die Reduktion oder Erhöhung der Anzahl Verwaltungsräte in Art. 24 dieser Statuten.
2. Jede Änderung dieser Bestimmung.

Auf Verlangen eines Aktionärs erfolgt die Wahl der Mitglieder des Verwaltungsrates in geheimer Abstimmung. Die übrigen Wahlen und Beschlussfassungen erfolgen in offener Abstimmung, falls die Generalversammlung nichts anderes beschliesst.

Ist die Gesellschaft verpflichtet, ihre Jahresrechnung und gegebenenfalls ihre Konzernrechnung durch eine Revisionsstelle prüfen zu lassen, muss der Revisionsbericht vorliegen, bevor die Generalversammlung die Jahresrechnung und die Konzernrechnung genehmigt und über die Verwendung des Bilanzgewinns beschliesst. Wird eine ordentliche Revision durchgeführt, so muss die Revisionsstelle an der Generalversammlung anwesend sein. Die Generalversammlung kann durch einstimmigen Beschluss auf die Anwesenheit der Revisionsstelle verzichten.

any Business Combination have, or any securities to be issued or transferred by the Company or any Subsidiary in any Business Combination have, an aggregate Fair Market Value equaling or exceeding twenty-five percent (25 %) of the Fair Market Value of the combined assets immediately prior to such transfer of the Company and its subsidiaries. A majority of the Disinterested Directors shall have the further power to interpret all of the terms and provisions of this Art. 20.

2. Any change to this paragraph of Art. 20 of the Articles of Association.

The approval of at least two thirds of the Total Voting Shares shall be required for (definition of the term Total Voting Shares is in Art. 41 of these Articles of Association):

1. A resolution with respect to the removal of a serving member of the Board of Directors.
2. Any change to this paragraph of Art. 20 of the Articles of Association.

The approval of at least 75 % of the Total Voting Shares shall be required for (definition of the term Total Voting Shares is in Art. 41 of these Articles of Association):

1. The increase or reduction of the number of members of the Board of Directors in Art. 24 of these Articles of Association.
2. Any change to this paragraph of Art. 20 of the Articles of Association.

At the request of a shareholder the election of members of the Board of Directors shall take place by secret ballot. All other voting and passing of resolutions shall occur by open ballot unless otherwise resolved by the general meeting of the shareholders.

Where the Company is required to have its annual financial accounts and, where relevant, its group accounts audited by auditors, the audit report shall be presented to the general meeting of the shareholders prior to approval of the annual financial accounts and group accounts and prior to resolving on the application of the balance sheet profit. Where an ordinary audit is to be conducted, the Auditors shall be present at the general meeting of the shareholders. The general meeting of the shareholders may by way of a unanimous resolution, waive the requirement for the presence of the Auditors.

Art. 21 Auskunfts- und Einsichtsrecht der Aktionäre

Jeder Aktionär ist berechtigt, an der Generalversammlung vom Verwaltungsrat Auskunft über die Angelegenheiten der Gesellschaft und von der Revisionsstelle über Durchführung und Ergebnis ihrer Prüfung zu verlangen.

Die Auskunft ist insoweit zu erteilen, als sie für die Ausübung der Aktionärsrechte erforderlich ist. Sie kann verweigert werden, wenn durch sie Geschäftsgeheimnisse oder andere schutzwürdige Interessen der Gesellschaft gefährdet werden.

Die Geschäftsbücher und Korrespondenzen können nur mit ausdrücklicher Ermächtigung der Generalversammlung oder durch Beschluss des Verwaltungsrates und unter Wahrung des Geschäftsgeheimnisses eingesehen werden.

Art. 22 Recht auf Einleitung einer Sonderprüfung

Jeder Aktionär kann der Generalversammlung beantragen, bestimmte Sachverhalte durch eine Sonderprüfung abklären zu lassen, sofern dies zur Ausübung der Aktionärsrechte erforderlich ist und er das Recht auf Auskunft oder das Recht auf Einsicht bereits ausgeübt hat.

Art. 22 a) Vergütung des Verwaltungsrates und der Geschäftsleitung

(1) Die Aktionäre genehmigen, unter Vorbehalt der nachstehenden Abs. 2 und 4, an jeder ordentlichen Generalversammlung die Anträge des Verwaltungsrates betreffend den Maximalgesamtbetrag (in US Dollars, Schweizer Franken oder einer anderen Währung):

- (a) der Vergütung des Verwaltungsrates für die Periode zwischen der ordentlichen Generalversammlung, an welcher um Genehmigung ersucht wird, und der nächsten ordentlichen Generalversammlung; und
- (b) der Vergütung der Geschäftsleitung für das Geschäftsjahr, welches nach der ordentlichen Generalversammlung, an welcher um Genehmigung ersucht wird, beginnt.

(2) Der Verwaltungsrat kann die Aktionäre an einer Generalversammlung um Genehmigung eines Gesamtbetrages oder eines Maximalgesamtbetrages der Vergütung für den Verwaltungsrat beziehungsweise die Geschäftsleitung, oder von Elementen davon, oder zusätzlicher oder bedingter Beträge, in Bezug auf von Abs. 1 dieses Art. 22 a) abweichende Zeitperioden ersuchen, sei es auf retrospektiver Basis, prospektiver Basis oder einer Kombination davon.

Art. 21 Information and Inspection Rights of the Shareholders

At the general meeting of the shareholders, any shareholder is entitled to request information from the Board of Directors concerning the affairs of the Company and from the Auditors concerning the conduct and the results of their review.

The information shall be given to the extent necessary for the exercising of shareholders' rights. It may be denied if business secrets or other interests of the Company worth being protected are jeopardized.

Company books and correspondence may only be inspected with the express authorization of the general meeting of the shareholders or by resolution of the Board of Directors and under the condition that business secrets are safeguarded.

Art. 22 Right to Initiate a Special Audit

Any shareholder may, at the general meeting of the shareholders, request that certain matters be subject to a special audit to the extent this is necessary for the exercising of shareholders' rights and he/she has previously exercised the right to information or the right to inspection.

Art. 22 a) Compensation of the Board of Directors and Executive Management

(1) The shareholders shall, subject to paras. 2 and 4 below, at each annual general meeting ratify the proposals of the Board of Directors as regards the maximum aggregate amount (expressed in U.S. dollars, Swiss francs or any other currency) of, respectively:

- (a) the compensation of the Board of Directors for the period between the annual general meeting at which ratification is sought and the next annual general meeting; and
- (b) the compensation of Executive Management for the fiscal year commencing after the annual general meeting is held at which the ratification is sought.

(2) The Board of Directors may seek ratification by the shareholders at a general meeting of the shareholders on a retrospective basis, on a prospective basis, or a combination thereof, of the aggregate amount, or maximum aggregate amount, of compensation, respectively, of the Board of Directors and Executive Management, or any element thereof, or any additional or contingent amount, in relation to different time

periods than those referred to in para. 1 of this Art. 22 a).

(3) Innerhalb des von den Aktionären an der jeweiligen Generalversammlung genehmigten Maximalgesamtbetrages ist ausschliesslich der Verwaltungsrat oder, soweit an ihn delegiert, der Vergütungsausschuss befugt und verantwortlich, die tatsächliche individuelle Vergütung jedes Mitglieds des Verwaltungsrates beziehungsweise der Geschäftsleitung zu bestimmen. Zu diesem Zweck wird der Wert der Vergütung gemäss allgemein anerkannten Bewertungsmethoden per Datum der Zuteilung des jeweiligen Vergütungselements bestimmt.

(4) Genehmigen die Aktionäre an einer Generalversammlung einen Antrag des Verwaltungsrates gemäss Abs. 1 oder 2 hiervor nicht, so zieht der Verwaltungsrat den Antrag, der nicht genehmigt wurde, unter Berücksichtigung, soweit feststellbar, der Gründe, aus welchen die Aktionäre den Antrag nicht genehmigt haben, in Wiedererwägung, und ersucht die Aktionäre um Genehmigung eines überarbeiteten Antrags; die Genehmigung kann an der Generalversammlung, an welcher der Antrag gemäss Abs. 1 oder 2 hiervor nicht genehmigt wurde, an einer ausserordentlichen Generalversammlung oder an der nächsten ordentlichen Generalversammlung erfolgen.

(5) Die Gesellschaft oder von ihr kontrollierte Gesellschaften können Vergütung vor der Genehmigung durch die Aktionäre an einer Generalversammlung auszahlen oder zuteilen. Solche Vergütung steht unter dem Vorbehalt der nachträglichen Genehmigung durch die Aktionäre.

(6) Der Begriff "Vergütung", so wie er in diesen Statuten verwendet wird, umfasst jegliche Form der Entschädigung, einschliesslich, aber nicht beschränkt auf Vergütung in bar, in der Form von Aktien, gesperrten Aktien, Bonus-Aktien, ausgeschobenen Einheiten, Optionen, Wertsteigerungsrechten, gesperrten Aktieneinheiten, Leistungsprämien oder anderen Finanzinstrumenten oder Derivaten, oder irgendeiner Kombination davon, oder andere Leistungen und Vorteile, welche Mitgliedern des Verwaltungsrates und/oder der Geschäftsleitung bezahlt oder zugeteilt wird bzw. welche diese erhalten. Der Begriff "Vergütung" umfasst nicht den Ersatz von Auslagen, die ein Mitglied des Verwaltungsrates oder

(3) Within the maximum aggregate amount ratified by the shareholders at the relevant general meeting of the shareholders, it shall be the exclusive authority and responsibility of the Board of Directors or, where delegated to it, the Compensation Committee to determine the actual individual compensation of, respectively, each member of the Board of Directors and Executive Management. For such purposes, the value of compensation shall be determined in accordance with generally recognized valuation methods as per the grant date of the respective compensation element.

(4) If at the annual general meeting the shareholders have not ratified a proposal of the Board of Directors pursuant to para. 1 above or para. 2 above, the Board of Directors shall reconsider the proposal that has not been ratified, taking into account, to the extent identifiable, the reasons for which the shareholders did not ratify the proposal, and seek shareholder ratification for a revised proposal at the annual general meeting at which the proposal pursuant to para. 1 above or para. 2 above has not been ratified, at an extraordinary general meeting or at the next annual general meeting.

(5) The Company or companies under its control may pay out or grant compensation prior to shareholder ratification at a general meeting of the shareholders. Such compensation is subject to subsequent shareholder ratification.

(6) The term "compensation", as used in these Articles of Association, shall include any form of remuneration, including, without limitation, cash, shares, restricted shares, bonus shares, deferred units, stock options, share appreciation rights, restricted stock units, performance awards, awards of other financial instruments or derivatives, or any combination of the foregoing, paid or granted to, and any other benefits and perquisites received by, members of the Board of Directors and/or Executive Management. The term "compensation" shall not include the reimbursement of expenses incurred by a member Board of Directors or Executive Management in the interests of the Company.

der Geschäftsleitung im Interesse der Gesellschaft getätigt hat.

Art. 22 b) Allgemeine Vergütungsprinzipien

(1) Die Vergütung des Verwaltungsrates kann (i) Barkomponenten, (ii) Aktien, gesperrte Aktien, gesperrte Aktieneinheiten, aufgeschobene Einheiten oder ähnliche Instrumente und/oder (iii) Leistungen oder Vorteile in der Form von Sach- oder Dienstleistungen umfassen, wie im Einzelnen vom Verwaltungsrat oder, soweit an ihn delegiert, vom Vergütungsausschuss unter Vorbehalt der anwendbaren Planbestimmungen festgelegt. Exekutive Verwaltungsräte erhalten keine Vergütung zusätzlich zur Vergütung, welche ihnen im Rahmen ihrer Funktion als Mitglied der Geschäftsleitung der Gesellschaft ausgerichtet wird.

(2) Sofern vom Verwaltungsrat oder, soweit an ihn delegiert, vom Vergütungsausschuss nicht anders festgelegt, besteht die Vergütung der Geschäftsleitung in der Regel aus (i) einem Basissalär, (ii) anteilsbasierter oder anderer Leistungs- oder Erfolgsvergütung gemäss anwendbaren Plänen und (iii) weiterer Vergütung, die der Verwaltungsrat oder, soweit an ihn delegiert, der Vergütungsausschuss als angemessen erachtet, einschliesslich, aber nicht beschränkt auf Beiträge an Vorsorgeleistungspläne und Spesenpauschalen.

(3) Vergütung gemäss Beteiligungs- oder Leistungs- und Erfolgsplänen soll so ausgestaltet sein, dass die Interessen der Empfänger auf diejenigen der Aktionäre der Gesellschaft ausgerichtet werden, eine Mitarbeiteranbindung erreicht wird und die Vergütung an die Leistung infolge der Schaffung von Mehrwert für die Aktionäre geknüpft wird. Der Verwaltungsrat oder, soweit an ihn delegiert, der Vergütungsausschuss berücksichtigen die Funktion, den Umfang der Pflichten und die Verantwortungsstufe des jeweiligen Empfängers, die Mitarbeiteranbindung, das gegenwärtige Geschäftsumfeld, die persönliche Leistung, die Leistung der Gesellschaft oder von Unternehmensteilen, einschliesslich, aber nicht beschränkt auf die Aktienrendite im Verhältnis zum Markt, anderen Unternehmen oder anderen Richtgrössen.

(4) Vorbehaltlich der Genehmigung der Bestimmungen der Beteiligungs- oder der Leistungs- und Erfolgspläne durch die Aktionäre (soweit gemäss anwendbarem Recht oder anwendbaren Börsenregularien erforderlich), legt der Verwaltungsrat oder, soweit an ihn delegiert, der Vergütungsausschuss für anteilsbasierte oder Leistungs- und Erfolgsvergütung, soweit anwendbar, die Zuteilungs-, Anfalls- (*vesting*-),

Art. 22 b) General Compensation Principles

(1) The compensation of the Board of Directors may include (i) cash, (ii) shares, restricted shares, restricted share units, deferred units or similar instruments, and/or (iii) benefits and perquisites in kind or in the form of services, as shall be determined by the Board of Directors or, where delegated to it, the Compensation Committee and subject to the terms of the applicable plans. Executive directors shall not receive any compensation in addition to the compensation paid to them in their roles as officers of the Company.

(2) Except as otherwise determined by the Board of Directors or, where delegated to it, the Compensation Committee, Executive Management compensation shall generally consist of (i) a base salary, (ii) equity incentive and other incentive compensation pursuant to applicable plans and (iii) any other compensation as deemed appropriate by the Board of Directors or, where delegated to it, the Compensation Committee, including, but not limited to, contributions to post-retirement benefit plans and allowances.

(3) Compensation pursuant to participation or incentive plans shall be designed so as to align the interests of its recipients with those of the Company's shareholders, provide retention incentives, and tie compensation to performance through the creation of shareholder value. The Board of Directors or, where delegated to it, the Compensation Committee shall take into account the position and level of duties and responsibility of the respective recipient, retention considerations, the current business environment, individual performance, performance of the Company or parts thereof, including, without limitation, total shareholder return relative to market, other companies or other benchmarks.

(4) In relation to equity incentive or other incentive awards, subject to the approval of the terms of equity incentive or other incentive plans by shareholders as may be required under applicable law and stock exchange rules, the Board of Directors or, where delegated to it, the Compensation Committee shall, as applicable, determine the grant, vesting, exercise and forfeiture conditions; the Board of Directors or, where

Ausübungs- und Verfallsbedingungen fest; der Verwaltungsrat oder, soweit an ihn delegiert, der Vergütungsausschuss kann vorsehen, dass aufgrund des Eintritts von im Voraus bestimmten Ereignissen wie einem Kontrollwechsel oder der Beendigung eines Arbeits-, Mandats- oder anderen Vertrags Anfalls- (*vesting*-) und Ausübungsbedingungen fortbestehen oder verkürzt oder aufgehoben werden, Vergütungen unter Annahme der Erreichung der Zielwerte ausgerichtet werden oder Vergütungen verfallen.

(5) Die Gesellschaft kann die Aktien der Gesellschaft, die im Rahmen der anteilsbasierten Vergütung an die Begünstigten auszugeben oder zu liefern sind, jeweils soweit verfügbar aus genehmigtem oder bedingtem Aktienkapital oder unter Verwendung von auf dem Markt erworbenen eigenen Aktien bereitstellen.

(6) Vergütung gemäss diesen Statuten kann durch die Gesellschaft oder durch von ihr kontrollierte Gesellschaften ausbezahlt oder zugeteilt werden.

Art. 22 c) Zusatzbetrag für Änderungen in der Geschäftsleitung

Reicht der von den Aktionären an einer Generalversammlung genehmigte Maximalgesamtbetrag der Vergütung der Mitglieder der Geschäftsleitung für die Vergütung eines Mitglieds der Geschäftsleitung, das nach dem Zeitpunkt der letzten Genehmigung durch die Aktionäre an einer Generalversammlung Mitglied der Geschäftsleitung wird oder innerhalb der Geschäftsleitung befördert wird, nicht aus, sind die Gesellschaft oder von ihr kontrollierte Gesellschaften ermächtigt, jedem solchem Mitglied der Geschäftsleitung für die Dauer der bereits durch die Aktionäre an einer Generalversammlung genehmigten Vergütungsperiode(n) eine Vergütung zu bezahlen oder auszurichten. Eine solche Vergütung darf je neu ernanntes oder befördertes Mitglied der Geschäftsleitung und je relevante Vergütungsperiode unter keinen Umständen den letzten von den Aktionären an einer Generalversammlung genehmigten Maximalgesamtbetrag der Vergütung übersteigen. Vergütung, die gemäss diesem Art. 22 c) ausgerichtet wird, bedarf keiner weiteren Genehmigung durch die Aktionäre.

Art. 23 Präsenzquorum

Jede Beschlussfassung oder Wahl setzt zu ihrer Gültigkeit im Zeitpunkt der Konstituierung der Generalversammlung ein Präsenzquorum von Aktionären, welche mindestens die Mehrheit aller Gesamtstimmen vertreten, voraus. Die Aktionäre können mit der Behandlung der Traktanden fortfahren, selbst wenn Aktionäre nach Bekanntgabe des Quorums

delegated to it, the Compensation Committee may provide for the continuation, acceleration or removal of vesting and exercise conditions, for the payment or grant of compensation based upon assumed target achievement, or for forfeiture, in each case with regard to pre-determined events such as a change-in-control or termination of an employment, mandate or other agreement.

(5) The Company may procure the shares of the Company to be issued or delivered to beneficiaries of equity-based awards, to the extent available, from authorized share capital, conditional share capital, or through use of treasury shares purchased in the market.

(6) Compensation pursuant to these Articles of Association may be paid or granted by the Company or companies under its control.

Art. 22 c) Supplementary Amount for Changes to the Executive Management

If the maximum aggregate amount of compensation of Executive Management members ratified by the shareholders at a general meeting of the shareholders is not sufficient to also cover the compensation of a member of Executive Management who becomes a member of Executive Management or is being promoted within Executive Management after the date of the most recent shareholder ratification at a general meeting of the shareholders, the Company or companies under its control shall be authorized to pay and/or grant compensation to such member of Executive Management in relation to the compensation period(s) already ratified by the shareholders at a general meeting of the shareholders. In no event shall any such compensation for each newly appointed or promoted member of Executive Management and for each relevant compensation period exceed the maximum aggregate amount of Executive Management compensation last ratified by shareholders at a general meeting of the shareholders. No further shareholder ratification shall be required for any compensation paid and/or granted in accordance with this Art. 22 c).

Art. 23 Presence Quorum

The adoption of any resolution or election requires the presence of at least a majority of the Total Voting Shares at the time when the general meeting of the shareholders proceeds to business. The shareholders present at a general meeting of the shareholders may continue to transact business, despite the withdrawal of shareholders from such general meeting of the

durch den Vorsitzenden die Generalversammlung verlassen.

Der Verwaltungsrat

Art. 24 Zusammensetzung

Der Verwaltungsrat besteht aus mindestens einem und höchstens zehn Mitgliedern.

Solange die Namenaktien der Gesellschaft an einer in- oder ausländischen Börse kotiert sind, soll der Verwaltungsrat mindestens drei unabhängige Verwaltungsräte (Unabhängige Verwaltungsräte) ausweisen.

Art. 25 Amtsdauer

Die Aktionäre wählen die Mitglieder des Verwaltungsrates und den Verwaltungsratspräsidenten einzeln an einer Generalversammlung für eine Amtsdauer bis zum Abschluss der nächsten ordentlichen Generalversammlung. Wiederwahl ist möglich. Ist das Amt des Verwaltungsratspräsidenten aus irgendeinem Grund vakant, ernennt der Verwaltungsrat einen Verwaltungsratspräsidenten für eine Amtsdauer bis zum Abschluss der nächsten ordentlichen Generalversammlung.

Wenn ein Verwaltungsratsmitglied vor Ablauf seiner Amtsdauer aus irgendeinem Grund ersetzt wird, endet die Amtsdauer des an seiner Stelle gewählten neuen Verwaltungsratsmitgliedes mit dem Ende der Amtsdauer seines Vorgängers.

Ist an der Gesellschaft eine juristische Person oder eine Handelsgesellschaft beteiligt, so ist sie als solche nicht als Mitglied des Verwaltungsrates wählbar; dagegen können an ihrer Stelle ihre Vertreter gewählt werden.

Art. 26 Konstituierung

Vorbehältlich der Wahl des Verwaltungsratspräsidenten und der Mitglieder des Vergütungsausschusses durch die Aktionäre an einer Generalversammlung bestimmt der Verwaltungsrat seine Organisation selbst. Er kann einen oder mehrere Vize-Präsidenten wählen. Er bestellt einen Sekretär, der nicht Mitglied des Verwaltungsrates sein muss. Vorbehältlich des anwendbaren Rechts und dieser Statuten regelt der Verwaltungsrat die Einzelheiten seiner Organisation in einem Organisationsreglement.

Art. 27 Aufgaben

Der Verwaltungsrat besorgt die laufenden Geschäfte und vertritt die Gesellschaft nach aussen.

shareholders following announcement of the presence quorum at that meeting.

B. The Board of Directors

Art. 24 Composition

The Board of Directors shall consist of no less than one and no more than ten members.

As long as the registered Shares of the Company are listed on a domestic or foreign Exchange, the Company shall maintain a minimum of three Independent Directors on its Board of Directors.

Art. 25 Term of Office

The shareholders shall elect the members of the Board of Directors and the chair of the Board of Directors individually at a general meeting of shareholders for a term of office extending until completion of the next annual general meeting. Re-election is possible. If the office of the chair of the Board of Directors is vacant, for any reason, the Board of Directors shall appoint a new chair from among its members for a term of office extending until completion of the next annual general meeting.

If, before the expiration of his term of office, a member of the Board of Director should be replaced for any reason, the term of office of the newly elected member of the Board of Directors shall expire at the end of the term of office of his predecessor.

If a legal entity or another commercial enterprise is a shareholder of the Company, it shall not be eligible for membership on the Board of Directors; however, its representatives may be elected in lieu thereof.

Art. 26 Constitution

Except for the election of the chair of the Board of Directors and the members of the Compensation Committee by the shareholders at a General Meeting of Shareholders, the Board of Directors shall determine its own organization. It may elect one or more vice-chairs. It shall appoint a Secretary, who need not be a member of the Board of Directors. Subject to applicable law and these Articles of Association, the Board of Directors shall establish the particulars of its organization in organizational regulations.

Art. 27 Duties

The Board of Directors shall manage the ongoing business and represent the Company externally.

Der Verwaltungsrat hat die folgenden unübertragbaren und unentziehbaren Aufgaben:

Oberleitung der Gesellschaft und Erteilung der nötigen Weisungen;
Festlegung der Organisation, sofern in diesen Statuten nicht anders geregelt;
Ausgestaltung des Rechnungswesens, der Finanzkontrolle sowie der Finanzplanung, sofern diese für die Führung der Gesellschaft notwendig ist;
Ernennung und Abberufung der mit der Geschäftsführung und der Vertretung betrauten Personen sowie Regelung der Zeichnungsberechtigung;
Oberaufsicht über die mit der Geschäftsführung betrauten Personen, namentlich im Hinblick auf die Befolgung der Gesetze, Statuten, Reglemente und Weisungen;
Erstellung des Geschäftsberichtes, des Vergütungsberichtes sowie Vorbereitung der Generalversammlung und Ausführung ihrer Beschlüsse;
Benachrichtigung des Richters im Falle der Überschuldung;
Beschlussfassung über die nachträgliche Leistung von Einlagen auf nicht voll liberierte Aktien;
Feststellungsbeschlüsse bei Kapitalerhöhungen und daraus folgende Statutenänderungen.

Er hat überdies die folgenden Aufgaben:

Führung der gemäss Organisationsreglement dem Verwaltungsrat vorbehaltenen Geschäfte (vgl. Art. 30 Abs. 2);
Antragstellung betreffend Verwendung des Bilanzgewinnes;
Festlegung des Geschäftsjahres (vgl. Art. 36);
Behandlung von Eintragungsgesuchen (vgl. Art. 8).

Im Übrigen kann der Verwaltungsrat in allen Angelegenheiten Beschluss fassen, die nicht nach Gesetz, Statuten oder Reglement der Generalversammlung oder einem anderen Organ der Gesellschaft vorbehalten oder übertragen sind.

Die Mitglieder des Verwaltungsrates zeichnen kollektiv zu zweien. Gehört dem Verwaltungsrat nur eine Person an, so ist diese einzelzeichnungsberechtigt.

Art. 28 Schadloshaltung

Im Rahmen des gesetzlich Zulässigen, hält die Gesellschaft sämtliche Personen sowie deren Erben, Konkurs- oder Nachlassmassen, welche wegen ihrer

The Board of Directors has the following non-transferable and inalienable duties:

Supreme management of the Company and issuance of the relevant instructions;
Determination of the organisation, except as stated otherwise in these Articles of Association;
Structuring of the accounting system, the financial controls and the financial planning to the extent that this is necessary for the management of the Company;
Appointment and removal of the persons entrusted with the management and representation of the Company as well as regulation of signatory power;
Overall supervision of the persons entrusted with the management of the Company, in particular with regard to their compliance with the law, the Articles of Association and other internal rules and regulations;
Preparation of the annual business report, the compensation report and the general meeting of the shareholders, as well as implementation of its resolutions;
Notification of the judge in the case of over-indebtedness;
Passing of resolutions regarding retroactive payments related to partly paid-in shares;
Declaratory resolutions regarding capital increases and consequential amendments of the Articles of Association.

In addition, the Board of Directors shall have the following duties:

Management of transactions reserved to the Board of Directors by the Organizational Regulations (cf. Art. 30 paragraph 2);
Proposals regarding the application of the balance sheet profit;
Defining the business year (cf. Art. 36).
Treatment of registration applications (cf. Art. 8).

Otherwise, the Board of Directors may resolve on all matters not reserved or assigned to the general meeting of the shareholders or another corporate body of the Company by law, the Articles of Association or other internal rules and regulations.

The members of the Board of Directors shall have the power of joint signatories. Where the Board of Directors consists of just one person, he shall have the power of single signatory.

Art. 28 Indemnification

The Company shall indemnify, to the full extent now or hereafter permitted by law, any person (including his heirs, executors and administrators) who was or is a

Tätigkeit als Verwaltungsrat, Mitglied der Geschäftsleitung, Officer, Angestellte, Agent oder weil sie in einer anderen Funktion für oder im Namen der Gesellschaft (einschliesslich solcher Tätigkeiten, die diese Personen für eine andere Gesellschaft, eine nicht rechtsfähige Personengesellschaft, einen Joint Ventures, einen Trusts, eine sonstige Geschäftseinheit oder fiduziarisch im Zusammenhang mit von der Gesellschaft unterhaltenen Mitarbeiterbeteiligungsplänen für oder im Namen oder auf Aufforderung der Gesellschaft ausübten oder ausüben) tätig wurden, Partei in drohenden, hängigen oder abgeschlossenen Klagen, Verfahren oder Untersuchungen zivil-, straf-, verwaltungsrechtlicher oder anderer Natur (einschliesslich allfälliger Klagen der Gesellschaft) waren oder werden, schadlos von sämtlichen Auslagen (einschliesslich Anwaltskosten), Abgaben, Verlusten und Schäden, die diese in diesem Zusammenhang zu bezahlen und damit erlitten haben. Im Rahmen des gesetzlich zulässigen soll die Gesellschaft Gerichts- und Anwaltskosten im Zusammenhang mit solchen Klagen und Verfahren (einschliesslich Rechtsmittelverfahren) bevorschussen.

Der Verwaltungsrat ist unabhängig von der Interessenlage des einzelnen Mitgliedes berechtigt, namens der Gesellschaft und zugunsten der in Art. 28 Abs. 2 dieser Statuten erwähnten Personen Versicherungen für die gegen diese Personen im Zusammenhang mit den oben beschriebenen Funktionen erhobenen Haftungsansprüche sowie deren Folgen abzuschliessen, unabhängig davon, ob die Gesellschaft das Recht bzw. die Macht hätte, diese Person in Anwendung von Art. 28 schadlos zu halten.

Art. 28 ist auf alle Ansprüche, Klagen, Prozesse anwendbar, die nach Inkrafttreten dieser Bestimmung eingeleitet werden, unabhängig davon, ob sich diese auf Tätigkeiten oder Unterlassungen vor Inkrafttreten dieser Bestimmung stützen. Die Vorschrift in diesem Art. 28 soll als Vertrag zwischen der Gesellschaft und jedem Verwaltungsratsmitglied, Mitglied der Geschäftsleitung, Direktor, Angestellten und Agenten, der in den weiter oben beschriebenen Funktionen zu einem beliebigen Zeitpunkt während der Gültigkeit dieser Bestimmung und des anwendbaren Rechts tätig war, gelten, und die Aufhebung oder Änderung dieser Bestimmung soll die zu jenem Zeitpunkt bestehenden Rechte und Pflichten bezüglich des zu jenem Zeitpunkt bestehenden Tatbestandes oder der zu jenem oder einem späteren Zeitpunkt gestützt auf diesen Sachverhalt geltend gemachten oder angedrohten Klagen, Ansprüchen oder Prozessen nicht berühren. Sollten einzelne Bestimmungen dieses Art. 28 aus gesetzlichen oder regulatorischen Gründen ungültig sein oder in ihrer Anwendung eingeschränkt werden, soll dies die Anwendung dieser Bestimmung oder die

party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, an action by or in the right of the Company), by reason of his acting as, or having in the past acted as, a member of the Board of Director, member of Executive Management, officer, employee or agent of, or his acting in any other capacity for or on behalf of, the Company (including his serving for, on behalf of or at the request of the Company as a member of the Board of Director, member of Executive Management, officer, employee or agent of another company, partnership, joint venture, trust or other enterprise, or in a fiduciary or other capacity with respect to any employee benefit plan maintained by the Company) against any expense (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person (or his heirs, executors and administrators) in respect thereof. The Company shall advance the expenses of defending any such action, suit or proceeding (including appeals) in accordance with and to the full extent now or hereafter permitted by law.

The Board of Directors may, notwithstanding any interest of the member of the Board of Directors in such action, authorize the Company to purchase and maintain insurance on behalf of any person described in Art. 28 paragraph 2 of these Articles of Association, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Company would have the power to indemnify him against such liability under the provisions of this Art. 28.

The provisions of this Art. 28 shall be applicable to all actions, claims, suits or proceedings made or commenced after the adoption hereof, whether arising from acts or omissions to act occurring before or after its adoption. The provisions of this Art. 28 shall be deemed to be a contract between the Company and each member of the Board of Director, officer, employee or agent who serves in such capacity at any time while this Article and the relevant provisions of the law, if any, are in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts or any action, suit or proceeding then or theretofore existing, or any action, suit or proceeding thereafter brought or threatened based in whole or in part on any such state of facts. If any provision of this Art. 28 shall be found to be invalid or limited in application by reason of any law or regulation, it shall not affect any other application of such provision or the validity of the remaining provisions hereof. The rights of indemnification and advancement of expenses provided in this Article shall neither be exclusive of, nor be deemed in limitation of,

Gültigkeit dieser Bestimmung nicht berühren. Die Rechte im Zusammenhang mit der Schadloshaltung und der Bevorschussung in diesem Artikel sind weder exklusiv noch sollen sie allfällige bestehende andere Rechte der betroffenen Verwaltungsratsmitglieder, Geschäftsleitungsmitgliedern, Direktoren, Angestellten oder Agenten limitieren, die diese gestützt auf Verträge oder gestützt auf Beschlüsse der Organe der Gesellschaft oder in ihrer Funktion haben, limitieren. Die Gesellschaft ist dem Grundsatz verpflichtet, wonach die Schadloshaltung der in diesem Artikel definierten Personen im Rahmen des gesetzlich zulässigen entsprochen werden soll.

Einberufung und Beschlussfassung

Der Verwaltungsrat versammelt sich, so oft es die Geschäfte erfordern, jedoch mindestens einmal im Jahr. Er wird durch seinen Präsidenten oder den Vizepräsidenten einberufen. Jedes Mitglied hat jederzeit das Recht, unter schriftlicher Angabe der Gründe die unverzügliche Einberufung einer Verwaltungsratssitzung zu verlangen.

Die Einberufung des Verwaltungsrates hat in der Regel mindestens fünf Werktage vor dem Sitzungstage zu erfolgen. Tag, Zeit und Ort der Sitzung und die Verhandlungsgegenstände (Traktandenliste) sind bei der Einberufung bekannt zu geben. Gleichzeitig werden die massgebenden Sitzungsunterlagen zugestellt. Über Gegenstände, die in der Traktandenliste nicht aufgeführt sind, können in dringenden Fällen Beschlüsse gefasst werden.

Der Verwaltungsrat ist beschlussfähig, wenn die absolute Mehrheit der Mitglieder anwesend ist. Für Beschlüsse, die im Rahmen von Kapitalerhöhungen zu treffen sind, ist der Verwaltungsrat auch beschlussfähig, wenn nur ein Mitglied anwesend ist.

Der Verwaltungsrat fasst seine Beschlüsse und trifft seine Wahlen mit der Mehrheit der abgegebenen Stimmen. Er kann höhere Beschlussfassungsquoren einführen. Diese müssen in einem Reglement festgehalten werden. Bei Stimmengleichheit gibt der Vorsitzende den Stichentscheid, bei Wahlen entscheidet das Los.

Beschlüsse können auch auf dem Weg der schriftlichen Zustimmung (durch Brief, Telefax oder E-Mail) zu einem Antrag gefasst werden, sofern nicht ein Mitglied mündliche Beratung verlangt. Diese Beschlüsse bedürfen der Einstimmigkeit und sind zusammen mit den anderen Verwaltungsratsprotokollen aufzubewahren.

Ausschüsse und Delegation

any rights to which any such member of the Board of Director, officer, employee or agent may otherwise be entitled or permitted by contract, vote of members or directors or otherwise, or as a matter of law, both as to actions in his official capacity and actions in any other capacity while holding such office, it being the policy of the Company that indemnification of the specified individuals shall be made to the fullest extent permitted by law.

Art. 29 Calling of Meetings and Quorum

The Board of Directors shall meet as often as business demands but at least once a year. It shall be called by the Chairman of the Board of Directors or the vice-chairman. Each member may, by giving written reasons therefore, demand that a meeting of the Board of Directors be held without delay.

The calling of a meeting of the Board of Directors shall, as a rule, be made at least five working days before the date of the meeting. Day, time, and place of the meeting as well as the matters for discussion (agenda) shall be notified at the time of the calling. At the same time, the related documents for the meeting shall be provided. Matters not contained in the agenda may be resolved upon in urgent cases.

The Board of Directors is quorate when the absolute majority of members is present. Where a resolution is to be taken in the context of a capital increase, the Board of Directors is also quorate when only one member is present.

The Board of Directors shall pass its resolutions and votes with a majority of the votes cast. The Board of Directors may introduce higher requirements to pass votes. Such requirements shall be contained in an internal regulation. Where votes are tied, the chairperson shall give the casting vote; in the case of elections this shall be decided by lot.

Resolutions may also be passed by way of written consent (by letter, fax or email) provided no member has demanded an oral consultation. These resolutions require unanimity and shall be kept with the minutes of the meetings of the Board of Directors.

Art. 30 Committees and Delegation

Der Verwaltungsrat kann die Vorbereitung, die Ausführung seiner Beschlüsse und die Überwachung von Geschäften Ausschüssen oder einzelnen Mitgliedern zuweisen.

Der Vergütungsausschuss besteht aus mindestens drei (3) Mitgliedern des Verwaltungsrates. Die Mitglieder des Vergütungsausschusses müssen die anwendbaren Anforderungen an Unabhängigkeit, Erfahrung oder andere regulatorische Anforderungen, einschliesslich des NASDAQ Global Select Market oder einer anderen Börse, Rule 10C-1(b)(1) des Securities Exchange Act von 1934, in seiner geänderten Version (der "Exchange Act"), Rule 16b-3 des Exchange Act und Section 162(m) des Internal Revenue Code, erfüllen. Die Aktionäre wählen die Mitglieder des Vergütungsausschusses einzeln an einer Generalversammlung für eine Amtsdauer bis zum Abschluss der nächsten ordentlichen Generalversammlung. Wiederwahl ist möglich. Bei Vakanzen im Vergütungsausschuss aus irgendeinem Grund ernennt der Verwaltungsrat aus seiner Mitte Ersatzmitglieder für eine Amtsdauer bis zum Abschluss der nächsten ordentlichen Generalversammlung.

Der Verwaltungsrat ernennt den Vorsitzenden des Vergütungsausschusses. Vorbehältlich anwendbaren Rechts und dieser Statuten regelt der Verwaltungsrat die Einzelheiten der Organisation des Vergütungsausschusses in einem Reglement oder einer Satzung.

Der Vergütungsausschuss hat, unter anderem, die Aufgabe, (1) die Vergütung und die damit verbundene Offenlegung durch den Verwaltungsrat zu überprüfen und dem Verwaltungsrat Empfehlungen diesbezüglich zu unterbreiten; (2) den Verwaltungsrat in der Erfüllung seiner Pflichten bezüglich der Vergütung der Mitglieder der Geschäftsleitung und der damit verbundenen Offenlegung, einschliesslich der Erarbeitung von Richtlinien betreffend die Vergütungs- und Leistungsprogramme der Geschäftsleitung zu unterstützen; und (3) die Anträge des Verwaltungsrates an die Generalversammlung betreffend die Vergütung des Verwaltungsrates und der Geschäftsleitung vorzubereiten und dem Verwaltungsrat Empfehlungen diesbezüglich zu unterbreiten.

Der Verwaltungsrat regelt die Einzelheiten der Befugnisse und Pflichten des Vergütungsausschusses in einem Reglement oder einer Satzung.

Unter Vorbehalt seiner unübertragbaren und unentziehbaren Aufgaben ist der Verwaltungsrat ferner befugt, die Geschäftsführung oder einzelne Zweige derselben und die Vertretung der Gesellschaft an eine oder mehrere Personen, Mitglieder des Verwaltungsrates

The Board of Directors may delegate the preparation and implementation of its resolutions and the oversight of business to committees or individual members.

The Compensation Committee shall consist of no fewer than three (3) members of the Board of Directors. The members of the Compensation Committee shall meet any applicable independence, experience and other regulatory requirements, including of the NASDAQ Global Select Market or any other stock exchange, Rule 10C-1(b)(1) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rule 16b-3 of the Exchange Act, and Section 162(m) of the Internal Revenue Code.

The shareholders shall elect the members of the Compensation Committee individually at a general meeting of the shareholders for a term of office extending until completion of the next annual general meeting. Re-election is possible. If there are vacancies on the Compensation Committee, for any reason, the Board of Directors shall appoint from among its members substitutes for a term of office extending until completion of the next annual general meeting.

The Board of Directors shall elect the chairperson of the Compensation Committee. Subject to applicable law and these Articles of Association, the Board of Directors shall establish the particulars of the organization of the Compensation Committee in regulations or a charter.

The Compensation Committee shall, among other things, (1) consider and make recommendations to the Board of Directors on the compensation and related disclosure of the Board of Directors; (2) assist the Board of Directors in discharging its responsibilities relating to compensation and related disclosure of the members of Executive Management, including the development of policies relating to Executive Management compensation and benefit programs; and (3) prepare and recommend to the Board of Directors the proposals of the Board of Directors to the general meeting of the shareholders regarding the compensation of the Board of Directors and Executive Management.

The Board of Directors shall establish the particulars of the powers and duties of the Compensation Committee in regulations or a charter.

Subject to its non-transferable and inalienable duties, the Board of Directors is furthermore empowered to delegate executive management of the business or individual branches of the same and the representation of the Company to one or more persons, members of

(Delegierte) oder Dritte (Direktoren oder Geschäftsführer), zu übertragen. Die Personen, die vom Verwaltungsrat mit Geschäftsleitungsaufgaben betraut sind, und welche gemäss einer solchen Delegation die hauptsächliche Verantwortung für die Geschäftsführung der Gesellschaft haben, werden in diesen Statuten als “**Geschäftsleitung**” bezeichnet. Er legt die dazu notwendigen Einzelheiten in einem Organisationsreglement fest.

Art. 31 Protokoll

Über die Verhandlungen und Beschlüsse des Verwaltungsrates ist ein Protokoll zu führen. Das Protokoll ist vom Vorsitzenden und vom Sekretär zu unterzeichnen. Besteht der Verwaltungsrat aus nur einem Mitglied, muss auch dieser über seine Entscheidungen Protokoll führen.

Die Protokolle sind vom Verwaltungsrat jeweils in der nächsten Sitzung zu genehmigen.

Art. 32 Recht auf Auskunft und Einsicht

Jedes Mitglied des Verwaltungsrates kann Auskunft über alle Angelegenheiten der Gesellschaft verlangen. In den Sitzungen sind alle Mitglieder des Verwaltungsrates sowie die mit der Geschäftsführung betrauten Personen zur Auskunft verpflichtet. Ausserhalb der Sitzungen kann jedes Mitglied von den mit der Geschäftsführung betrauten Personen Auskunft über den Geschäftsgang und, mit Ermächtigung des Präsidenten, auch über einzelne Geschäfte verlangen.

Soweit es für die Erfüllung einer Aufgabe erforderlich ist, kann jedes Mitglied dem Präsidenten beantragen, dass ihm Bücher und Akten vorgelegt werden. Weist der Präsident ein Gesuch auf Auskunft, Anhörung oder Einsicht ab, so entscheidet der Verwaltungsrat. Regelungen oder Beschlüsse des Verwaltungsrates, die das Recht auf Auskunft und Einsichtnahme der Mitglieder des Verwaltungsrates erweitern, bleiben vorbehalten.

Art. 32 a) Verträge betreffend Vergütung mit Mitgliedern des Verwaltungsrates und der Geschäftsleitung

Die Gesellschaft oder von ihr kontrollierte Gesellschaften können mit Mitgliedern des Verwaltungsrates unbefristete oder befristete Mandatsverträge oder andere Verträge über deren Vergütung als Verwaltungsräte abschliessen. Die Dauer von befristeten Verträgen darf die Amtsdauer eines Verwaltungsrates nicht überschreiten. Eine Erneuerung

the Board of Directors (delegates) or third parties (directors or managers). The persons to whom the Board of Directors delegates executive management, and who pursuant to such delegation shall have the primary responsibility for the executive management of the Company, shall be referred to in these Articles of Association as “**Executive Management**”. The Board of Directors shall stipulate the necessary details in the Organizational Regulations.

Art. 31 Minutes

Minutes shall be recorded of the discussions and resolutions of the Board of Directors. The minutes shall be signed by the Chairperson and the Secretary. Where the Board of Directors consists of only one member, such person must also keep a record of his decisions.

The minutes shall be approved by the Board of Directors in the next meeting.

Art. 32 Right to Information and Inspection

Each member of the Board of Directors may demand information on all matters concerning the Company. At meetings, all members of the Board of Directors as well as the persons entrusted with the management of the Company are under a duty to provide information. Outside the meetings, each member can demand information from those persons entrusted with the management about the course of business and, with the authorization of the president, about individual transactions.

To the extent it is necessary for the performance of a task, each member may apply to the Chairman of the Board of Directors that the books and files are made available to him. Where the Chairman of the Board of Directors rejects an application for information, a hearing or inspection, the Board of Directors shall decide. Regulations or resolutions of the Board of Directors that provide the members of the Board of Directors with the right to information and inspection remain reserved.

Art. 32 a) Agreements Regarding Compensation with Members of the Board of Directors and Executive Management

The Company or companies under its control may enter into fixed or indefinite mandate or other agreements with the members of the Board of Directors regarding their compensation as directors. The duration of fixed term agreements may not exceed a director's term of office. A renewal of a fixed term agreement is permissible. Agreements for an indefinite term may

eines befristeten Vertrages ist zulässig. Unbefristete Verträge haben eine Kündigungsfrist von maximal einer Amtsdauer.

Die Gesellschaft oder von ihr kontrollierte Gesellschaften können mit Mitgliedern der Geschäftsleitung unbefristete oder befristete Arbeitsverträge oder andere Verträge abschliessen. Befristete Verträge haben eine Höchstdauer von einem (1) Jahr. Eine Erneuerung eines befristeten Vertrages ist zulässig. Unbefristete Verträge haben eine Kündigungsfrist von maximal zwölf (12) Monaten.

Mitglieder der Geschäftsleitung können während der Kündigungsfrist von ihrer Arbeitspflicht befreit werden. Des Weiteren ist es zulässig, dass die Gesellschaft oder von ihr kontrollierte Gesellschaften Aufhebungs- oder ähnliche Vereinbarungen abschliessen.

Die Gesellschaft oder von ihr kontrollierte Gesellschaften können mit Mitgliedern der Geschäftsleitung Konkurrenzverbote für die Zeit nach Beendigung des Arbeitsvertrags vereinbaren. Die gesamte Abgeltung eines solchen Konkurrenzverbots darf die an dieses Mitglied der Geschäftsleitung für das letzte volle Geschäftsjahr, während dem er oder sie von der Gesellschaft oder von einer von ihr kontrollierten Gesellschaft angestellt war, ausgerichtete Gesamtjahresvergütung nicht übersteigen.

Art. 32 b) Mandate ausserhalb des Konzerns

(1) Kein Mitglied des Verwaltungsrates, das anderweitig eine Vollzeitbeschäftigung oder eine Teilzeitbeschäftigung von mehr als 16 Wochenstunden ausübt, und kein Mitglied der Geschäftsleitung kann mehr als sechs (6) zusätzliche Mandate wahrnehmen, wovon nicht mehr als zwei (2) in Zivilrechtlichen Personen sein dürfen, deren Aktien an einer Börse kotiert sind. Kein Mitglied des Verwaltungsrates, das ansonsten pensioniert ist oder anderweitig eine Teilzeitbeschäftigung von nicht mehr als 16 Wochenstunden ausübt, kann mehr als zehn (10) zusätzliche Mandate wahrnehmen, wovon nicht mehr als vier (4) in Zivilrechtlichen Personen sein dürfen, deren Aktien an einer Börse kotiert sind.

(2) Die folgenden Mandate fallen nicht unter die Beschränkungen gemäss Abs. 1 dieses Art. 32 b):

- (a) Mandate in Zivilrechtlichen Personen, welche die Gesellschaft kontrollieren, durch die Gesellschaft kontrolliert werden oder unter gemeinsamer Kontrolle mit der Gesellschaft stehen;

have a termination notice period not exceeding a term of office.

The Company or companies under its control may enter into employment or other agreements with the members of Executive Management for a fixed term or for an indefinite term. Agreements for a fixed term may have a maximum term of one (1) year. A renewal of a fixed term agreement is permissible. Agreements for an indefinite term may have a termination notice period of a maximum twelve (12) months.

Members of Executive Management may be released from their obligation of work during the time of the termination notice period. Further, it shall be permissible for the Company or companies under its control to enter into termination or similar agreements.

The Company or companies under its control may enter into non-competition agreements with members of Executive Management for the time after the termination of the employment agreement. The total consideration paid for a non-competition undertaking shall not exceed the total annual compensation paid to such member of Executive Management during the last full fiscal year in which he or she was employed at the Company or companies under its control.

Art. 32 b) Mandates Outside the Group

(1) No member of the Board of Directors who otherwise holds full-time employment or part-time employment of more than 16 hours per week and no member of Executive Management may hold more than six (6) additional Mandates of which not more than two (2) Mandates may be in Persons whose shares are listed on a stock exchange. No member of the Board of Directors who is otherwise retired or employed in part-time employment not exceeding 16 hours per week may hold more than ten (10) additional Mandates of which not more than four (4) Mandates may be in Persons whose shares are listed on a stock exchange.

(2) The following Mandates shall not be subject to the limitations set forth in para. 1 of this Art. 32 b):

- (a) Mandates in any Person which controls, is controlled by or under common control with the Company;

(b) Mandate, die auf Anordnung der Gesellschaft oder von Zivilrechtlichen Personen, welche die Gesellschaft kontrollieren, durch die Gesellschaft kontrolliert werden oder unter gemeinsamer Kontrolle mit der Gesellschaft stehen, wahrgenommen werden. Kein Mitglied des Verwaltungsrates oder der Geschäftsleitung kann mehr als zehn (10) solche Mandate wahrnehmen;

(c) Mandate in Vereinen, gemeinnützigen Organisationen, Stiftungen (einschliesslich Personalfürsorgestiftungen), Trusts und ähnliche Zivilrechtliche Personen. Kein Mitglied des Verwaltungsrates oder der Geschäftsleitung kann mehr als zehn (10) solche Mandate wahrnehmen.

(3) Eine vorübergehende Überschreitung der Beschränkungen gemäss Abs. 1 und 2 dieses Art. 32 b) ist zulässig.

(4) Der Begriff "Mandate", so wie er in diesen Statuten verwendet wird, umfasst jeglichen Einsitz in das oberste Leitungs- oder Verwaltungsorgan einer Zivilrechtlichen Person, die zur Eintragung in ein Schweizerisches Handelsregister oder ein entsprechendes ausländisches Register verpflichtet ist. Mandate in verschiedenen Zivilrechtlichen Personen, welche unter einheitlicher Kontrolle oder gleicher wirtschaftlicher Berechtigung stehen, gelten als ein Mandat.

Art. 32 c) Vorsorgeleistungen

Die Gesellschaft kann an Mitglieder der Geschäftsleitung Vorsorgeleistungen ausserhalb der beruflichen Vorsorge ausrichten, soweit solche Vorsorgeleistungen 50% der jeweiligen Gesamtjahresvergütung nicht übersteigen.

Zeichnungsberechtigung

Die rechtsverbindliche Vertretung der Gesellschaft durch Mitglieder des Verwaltungsrates und durch Dritte wird in einem Organisationsreglement festgelegt.

C. Die Revisionsstelle

Art. 34 Revision

Die Generalversammlung wählt die Revisionsstelle.

Sie kann auf die Wahl einer Revisionsstelle verzichten, wenn:

die Voraussetzungen für eine ordentliche Revision nicht gegeben sind;

(b) Mandates held at the instruction of the Company or any Person which controls, is controlled by or under common control with the Company; provided, however, that no member of the Board of Directors or Executive Management shall hold more than ten (10) such Mandates;

(c) Mandates in associations, charitable organizations, foundations (including in relation to post-retirement benefits), trusts and similar Persons; provided, however, that no member of the Board of Directors or Executive Management shall hold more than ten (10) such Mandates.

(3) A temporary exceedance of the limitations pursuant to para. 1 and para. 2 of this Art. 32 b) shall be permissible.

(4) The term "Mandate", as used in these Articles of Association, shall refer to any position in the supreme governing body of a Person that is required to be registered in a Swiss commercial register or a foreign register of equivalent nature. Mandates in different Persons that are under joint control or same beneficial ownership shall be deemed to be one Mandate.

Art. 32 c) Post-Retirement Benefits

The Company may grant members of the Executive Management postretirement benefits beyond occupational pensions, provided, however, that any such post-retirement benefit may not exceed 50% of the respective total annual compensation.

Art. 33 Signature Power

The due and valid representation of the Company by members of the Board of Directors and other persons shall be set forth in Organizational Regulations.

C. The Auditors

Art. 34 Audit

The general meeting of the shareholders shall elect the Auditor.

It can waive the election of auditors where:

the requirements for an ordinary audit are not present;

die Zustimmung sämtlicher Aktionäre vorliegt und; die Gesellschaft nicht mehr als zehn Vollzeitstellen im Jahresdurchschnitt hat.

Haben die Aktionäre auf eine eingeschränkte Revision verzichtet, so gilt dieser Verzicht auch für die nachfolgenden Jahre. Jeder Aktionär hat jedoch das Recht, spätestens zehn Tage vor der Generalversammlung eine eingeschränkte Revision zu verlangen. Die Generalversammlung muss diesfalls die Revisionsstelle wählen.

Art. 35 Organisation der Revisionsstelle

Als Revisionsstelle können eine oder mehrere natürliche oder juristische Personen oder Personengesellschaften gewählt werden.

Wenigstens ein Mitglied der Revisionsstelle muss seinen Wohnsitz, seinen Sitz oder eine eingetragene Zweigniederlassung in der Schweiz haben.

Muss die Gesellschaft ihre Jahresrechnung durch eine Revisionsstelle ordentlich prüfen lassen im Sinne von:

Art. 727 Abs. 1 Ziff. 2 oder Ziff. 3 OR;
Art. 727 Abs. 2 OR

wählt die Generalversammlung einen zugelassenen Revisionsexperten nach den Vorschriften des Revisionsaufsichtsgesetzes (RAG) als Revisionsstelle.

Ist die Gesellschaft zur eingeschränkten Revision verpflichtet, kann als Revisionsstelle auch ein zugelassener Revisor nach den Vorschriften des RAG bezeichnet werden. Vorbehalten bleibt der Verzicht auf die Wahl einer Revisionsstelle nach Art. 34.

Die Revisionsstelle muss im Sinne von Art. 728 bzw. 729 OR unabhängig sein.

Die Revisionsstelle wird für ein Geschäftsjahr gewählt. Ihr Amt endet mit der Abnahme der letzten Jahresrechnung. Die Wiederwahl ist möglich. Die Generalversammlung kann die Revisionsstelle jederzeit mit sofortiger Wirkung abberufen.

D. Rechnungslegung und Verwendung des Bilanzgewinnes

Art. 36 Jahresrechnung

Die Jahresrechnung wird jährlich auf den 31. Dezember oder auf einen anderen, durch den Verwaltungsrat zu beschliessenden Termin abgeschlossen.

the consent of all shareholders has been given; and the Company does not have more than ten full-time positions on average per year.

Where the shareholders have waived a limited statutory examination, this waiver applies also to the following year. Each shareholder may, however, demand a limited statutory examination at the latest ten days prior to the general meeting of the shareholders. The general meeting of the shareholders must in this case elect the Auditor.

Art. 35 Organisation of the Auditor

One or several individuals or legal persons or partnerships may be elected as Auditors.

As a minimum one member of the Auditor shall be resident or have a registered branch in Switzerland.

Where the Company is required to arrange an ordinary audit of its annual financial accounts by auditors pursuant to:

Art. 727 paragraph 1 section 2 or section 3 CO;
Art. 727 paragraph 2 CO

the general meeting of the shareholders shall elect a licensed audit expert in accordance with the provisions of the Audit Oversight Act (RAG) as auditors.

Where the Company is required to arrange a limited statutory examination a licensed auditor in accordance with the provisions of the RAG may also be appointed as auditors. Waiver of the election of auditors pursuant to Art. 34 remains reserved.

The Auditor must be independent in accordance with Art. 728 respectively 729 CO.

The Auditor shall be appointed for one business year. Their term of office shall end with the approval of the final annual financial accounts. Re-appointment is possible. The general meeting of the shareholders may remove the Auditor with immediate effect at any time.

D. Rendering of Accounts and Allocation of Balance Sheet Profit

Art. 36 Annual Financial Accounts

The annual financial accounts shall be closed annually on the 31 December or another date determined by the Board of Directors.

Die Erfolgsrechnung, die Bilanz und der Anhang sind mindestens gemäss den gesetzlichen Bestimmungen von Art. 662a - 670 und 957 - 961 OR aufzustellen.

Art. 37 Verwendung des Jahresgewinnes

Vom in der Jahresbilanz ausgewiesenen Jahresgewinn ist jährlich ein Betrag von 5 % der allgemeinen Reserve zuzuweisen, bis diese 20 % des einbezahlten Aktienkapitals erreicht hat.

Der verbleibende Jahresgewinnsaldo und ein allfälliger Gewinnvortrag früherer Geschäftsjahre stehen unter Vorbehalt der zwingenden gesetzlichen Bestimmungen (Art. 671 ff. OR) zur freien Verfügung der Generalversammlung. Der Verwaltungsrat unterbreitet der Generalversammlung seine Vorschläge betreffend die Behandlung sämtlicher Zuweisungen.

Die Generalversammlung kann jederzeit die Errichtung von speziellen Reserven neben den vom Gesetz vorgeschriebenen Reserven beschliessen und über deren Verwendung bestimmen.

Dividenden, welche nicht innerhalb von fünf Jahren nach ihrem Auszahlungsdatum bezogen werden, fallen an die Gesellschaft und werden in die allgemeinen gesetzlichen Reserven gebucht.

Schlussbestimmungen

Art. 38 Auflösung und Liquidation

Die Generalversammlung kann jederzeit die Auflösung der Gesellschaft beschliessen. Die Auflösung und Liquidation sind gemäss den Vorschriften von Art. 736 ff. OR durchzuführen.

Die Befugnisse der Generalversammlung bleiben auch während der Liquidation mit der Einschränkung gemäss Art. 739 OR bestehen. Insbesondere unterliegt die Liquidationsrechnung der Genehmigung durch die Generalversammlung.

Der Verwaltungsrat besorgt die Liquidation, sofern diese nicht durch Beschluss der Generalversammlung Dritten übertragen wird.

Die Liquidatoren sind berechtigt, die Aktiven der Gesellschaft freihändig zu veräussern.

Nach erfolgter Tilgung der Schulden wird das Vermögen nach Massgabe der eingezahlten Beträge unter den Aktionären verteilt, soweit diese Statuten nichts anderes vorsehen.

Art. 39 Mitteilungen und Bekanntmachungen

The profit and loss statement, the balance sheet and notes shall be compiled as a minimum in accordance with the provisions of Art. 662a-670 and 957-961 CO.

Art. 37 Application of the Annual Profit

An amount of 5 % of the annual profit identified in the annual financial accounts is to be allotted to the general reserves until this has reached 20 % of the paid-up share capital.

The remaining annual profit and any balance of profit brought forward from previous business years shall, pursuant to binding provisions of the law (Art. 671 et seq. CO), be at the free disposal of the general meeting of the shareholders. The Board of Directors shall submit its proposals with respect to the treatment of any allocation to the general meeting of the shareholders.

The general meeting of the shareholders may at any time resolve to set up special reserves in addition to those required by law and determine their application.

Dividends that have not been collected within five years after their payment date shall enure to the Company and be allocated to the general statutory reserves.

E. Final Provisions

Art. 38 Winding-up and Liquidation

The general meeting of the shareholders may at any time resolve to wind-up the Company. The winding-up and liquidation of the Company shall be performed in accordance with Art. 736 et seq. CO.

The powers of the general meeting of the shareholders shall also continue during the liquidation, limited in accordance with Art. 739 CO. In particular, the liquidation accounts are subject to the approval of the general meeting of the shareholders.

The Board of Directors shall conduct the liquidation to the extent that this is not transferred to a third party by a resolution of the general meeting of the shareholders.

The liquidators may freely dispose of the assets of the Company.

Upon discharge of all liabilities, the assets of the Company shall be distributed to the shareholders pursuant to the amounts paid-up, unless these Articles of Association provide otherwise.

Art. 39 Communications and Notifications

Publikationsorgan der Gesellschaft ist das Schweizerische Handelsamtsblatt. Der Verwaltungsrat kann weitere Publikationsorgane bestimmen.

Soweit keine individuelle Benachrichtigung durch das Gesetz, börsengesetzliche Bestimmungen oder diese Statuten verlangt wird, gelten sämtliche Mitteilungen an die Aktionäre als gültig erfolgt, wenn sie im Schweizerischen Handelsamtsblatt veröffentlicht worden sind. Die Mitteilungen an die Namenaktionäre erfolgen im Falle der in Art. 14 Abs. 3 erwähnten Hinweise an ihre letzte im Aktienbuch eingetragene Adresse durch Brief oder E-Mail. In allen anderen Fällen können die Mitteilungen durch Veröffentlichung im Publikationsorgan erfolgen. Bekanntmachungen an die Gläubiger erfolgen in den vom Gesetz vorgeschriebenen Fällen durch Veröffentlichung im Publikationsorgan. Finanzinstitute, welche Aktien für wirtschaftlich Berechtigte halten und entsprechend im Aktienbuch eingetragen sind, gelten als bevollmächtigte Empfänger.

Verbindlicher Originaltext

Falls sich zwischen der deutsch- und der englischsprachigen Fassung dieser Statuten Differenzen ergeben, hat die deutschsprachige Fassung Vorrang.

Art. 41 Definitionen

Aktie

Der Begriff **Aktie(n)** hat die in Art. 3 dieser Statuten aufgeführte Bedeutung.

Aktienbuch

Der Begriff **Aktienbuch** hat die in Art. 8 dieser Statuten aufgeführte Bedeutung.

Aktienkapital

Der Begriff **Aktienkapital** hat die in Art. 3 dieser Statuten aufgeführte Bedeutung.

Börse

Der Begriff **Börse** bedeutet Einrichtungen des Wertschriftenhandels oder vergleichbare Systeme, an welchen die Aktien der Gesellschaft gehandelt oder anderweitig zeitweise zum Handel zugelassen sind.

CHF

Der Begriff **CHF** bedeutet Schweizer Franken und ist die gültige Schweizer Währung.

The Company shall make any announcements in the Swiss Official Gazette of Commerce. The Board of Directors may appoint other publication bodies.

To the extent that individual notification is not required by law, stock Exchange regulations or these Articles of Association, all communications to the shareholders shall be deemed valid if published in the Swiss Official Gazette of Commerce. Notices to the registered shareholders shall in the case of the notifications set forth in Art. 14 paragraph 3 be sent by letter or electronic mail to the last address registered in the Share Register. In all other cases, they may be made by publication in the Company's official instrument for publications. Notices to creditors shall be given in the cases prescribed by law by publication in the Swiss Official Gazette of Commerce. Financial institutions holding Shares for beneficial owners and recorded in such capacity in the Share Register shall be deemed to be authorized recipients.

Art. 40 Original Language

In the event of deviations between the German and English version of these Articles of Association, the German text shall prevail.

Art. 41 Definitions

Shares

The term **Share(s)** has the meaning assigned to it in Art. 3 of these Articles of Association.

Share Register

The term **Share Register** has the meaning assigned to it in Art. 8 of these Articles of Association.

Share Capital

The term **Share Capital** has the meaning assigned to it in Art. 3 of these Articles of Association.

Exchange

The term **Exchange** shall mean any securities exchange or other system on which the registered Shares of the Company may be listed or otherwise authorized for trading from time to time.

CHF

The term **CHF** shall mean Swiss Francs, the legal currency in Switzerland.

Gesamtstimmen

Der Begriff **Gesamtstimmen** bedeutet die Gesamtzahl aller an einer Generalversammlung stimmberechtigten Aktien unabhängig davon, ob die stimmberechtigten Aktien an der Generalversammlung vertreten sind oder nicht.

Gesellschaft

Der Begriff **Gesellschaft** bedeutet Garmin Ltd.

Marktwert

Der Begriff **Marktwert** bedeutet (i) im Falle von Aktien den höchsten Schlusskurs dieser Aktien während der letzten 30 Tage vor dem massgeblichen Stichtag. Dabei entspricht der Marktwert dem höchsten von der betreffenden Börse gemeldeten Schlusskurs während der letzten 30 Tage vor dem massgeblichen Stichtag und, falls eine solche Meldung nicht vorliegt, soll der Marktwert dieser Aktien vom Verwaltungsrat in guten Treuen bestimmt werden, wobei er dabei die Art der Aktien, allfällige Dividenden, Zuteilung von Aktien sowie Aufteilungen oder Zusammenlegungen von Aktien berücksichtigt, und (ii) im Fall von Vermögenswerten, die weder Aktien noch Bargeld sind, soll der Marktwert vom Verwaltungsrat in guten Treuen per Stichtag bestimmt werden.

Monat

Der Begriff **Monat** bedeutet ein Kalendermonat.

Nahestehender Aktionär

Der Begriff **Nahestehender Aktionär** bedeutet jede natürliche oder juristische Person (unter Ausschluss der Gesellschaft) sowie deren Muttergesellschaften, (i) die direkte oder indirekte Eigentümerin von mehr als 20 % der Stimmrechte der ausgegebenen Aktien ist, oder die (ii) eine Nahestehende Gesellschaft der Gesellschaft ist und irgendwann in den zwei unmittelbar vorangehenden Jahren vor dem Zeitpunkt, zu dem bestimmt werden muss, ob diese Person ein Nahestehender Aktionär ist, direkte oder indirekte Eigentümerin von 20 % oder mehr der Stimmrechte der ausgegebenen Aktien war; oder (iii) Aktien übertragen bekommen hat, die irgendwann in den zwei unmittelbar vorangehenden Jahren vor dem Zeitpunkt, zu dem bestimmt werden muss, ob eine Person ein Nahestehender Aktionär ist, direkt oder indirekt im

Total Voting Shares

Total Voting Shares means the total number of Shares entitled to vote at a general meeting of the shareholders whether or not represented at such meeting.

Company

The term **Company** shall mean Garmin Ltd.

Fair Market Value

The term **Fair Market Value** shall mean (i) in the case of shares, the highest closing sale price of a share during the 30-day period immediately preceding the date in question of such share admitted to trading on an Exchange or any other system then in use, the Fair Market Value shall be the highest closing sale price reported by the Exchange or such other system during the 30-day period preceding the date in question, or, if no such quotations are available, the Fair Market Value on the date in question of such share as determined by the Board of Directors in good faith, in each case with respect to any class of share, appropriately adjusted for any dividend or distribution in shares or any combination or reclassification of outstanding shares of such share into a smaller number of shares, and (ii) in the case of property other than cash or shares, the Fair Market Value of such property on the date in question as determined by the Board of Directors in good faith.

Month

The term **Month** shall mean a calendar month.

Interested Shareholder

The term **Interested Shareholder** shall mean any person (other than the Company) and any holding company thereof who or which (i) is the beneficial owner directly or indirectly, of more than twenty per cent (20%) of the voting power of the outstanding shares of the Company; or, (ii) is an Affiliate of the Company and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of twenty per cent (20%) or more of the voting power of the then-outstanding shares; or (iii) is an assignee of or has otherwise succeeded to any shares which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder, if such assignment or succession shall have occurred in the course of a

Eigentum eines Nahestehenden Aktionärs standen, sofern die Übertragung (unabhängig davon ob in einer oder mehreren Transaktionen) ausserhalb eines öffentlichen Angebots stattgefunden hat.

Eine natürliche oder juristische Person gilt dann nicht als Nahestehender Aktionär, falls eine solche Person nur darum ein Nahestehender Aktionär wird, weil die Anzahl der ausgegebenen Aktien der Gesellschaft reduziert werden, unabhängig davon ob eine solche Reduktion auf den Rückkauf von Aktien der Gesellschaft durch die Gesellschaft zurückzuführen ist. Die Reduktion der ausgegebenen Aktien erhöht den prozentualen Anteil der ausgegebenen Aktien im direkten oder indirekten Eigentum der betreffenden Person bis diese Person direkte oder indirekte Eigentümerin zusätzlicher Aktien wird.

Nahestehende Gesellschaft

Der Begriff **Nahestehende Gesellschaft** bedeutet bezüglich einer Person, jede andere Person, die direkt oder indirekt über eine oder mehrere Mittelpersonen die andere Person kontrolliert, von dieser anderen Person kontrolliert wird, oder unter gemeinsamer Kontrolle mit dieser anderen Person steht. "Kontrolle" einschliesslich der Begriffe "kontrollierend" und "kontrolliert" für die Zwecke dieser Definition und allgemein dieser Statuten bedeutet die Möglichkeit, direkt oder indirekt auf die Geschäftsführung und die Geschäftspolitik einer Person Einfluss zu nehmen, sei es aufgrund des Haltens von Stimmrechten oder auf andere Weise.

Nahestehende Person

Der Begriff **Nahestehende Person** bedeutet, wenn verwendet zur Bezeichnung einer Beziehung zu einer Zivilrechtlichen Person, (i) jede Kapitalgesellschaft, rechts- oder nicht-rechtsfähige Personengesellschaft oder ein anderer Rechtsträger, von welcher diese Zivilrechtliche Person Mitglied des Leitungs- oder Verwaltungsorgans, der Geschäftsleitung oder Gesellschafter ist oder von welcher diese Person, direkt oder indirekt, Eigentümerin von 20 % oder mehr einer Kategorie von Aktien oder anderen Anteilsrechten ist, die ein Stimmrecht vermitteln, (ii) jedes Treuhandvermögen (Trust) oder jede andere Vermögenseinheit, an der diese Zivilrechtliche Person wirtschaftlich einen Anteil von 20 % oder mehr hält oder in Bezug auf welche diese Zivilrechtliche Person als Verwalter (trustee) oder in ähnlich treuhändischer Funktion tätig ist, und (iii) jeder Verwandte, Ehe- oder Lebenspartner dieser Person, oder jede Verwandte des Ehe- oder Lebenspartners, jeweils soweit diese den gleichen Wohnsitz haben wie diese Person.

transaction or series of transactions not involving a public offering.

A person shall not be deemed an Interested Shareholder if such person would become an Interested Shareholder solely as a result of a reduction of the number of shares of the Company outstanding, including repurchases of outstanding shares of the Company by the Company, which reduction increases the percentage of outstanding shares of the Company of which such person is the beneficial owner, until such person shall thereafter become the beneficial owner of any additional shares.

Affiliate

The term **Affiliate** shall mean with respect to any person, any other person controlling or controlled by or under common control with such specified person. For the purposes of this definition and generally these Articles of Association, "control", "controlling" and "controlled" when used with respect to any specified person, means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities or otherwise.

Associate

The term **Associate**, when used to indicate a relationship with any Person, means (i) any corporation, partnership, unincorporated association or other entity of which such Person is a director, officer or partner or is, directly or indirectly, the Owner of 20% or more of any class of voting shares, (ii) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity, and (iii) any relative or spouse of such Person, or any relative of such spouse, who has the same residence as such Person.

OR

Der Begriff **OR** hat die in Art. 1 dieser Statuten aufgeführte Bedeutung.

Revisionsstelle

Der Begriff **Revisionsstelle** hat die in Abschnitt C dieser Statuten aufgeführte Bedeutung.

Sekretär

Der Begriff **Sekretär** hat die in Art. 26 dieser Statuten aufgeführte Bedeutung.

Sitz

Der Begriff **Sitz** hat die in Art. 1 dieser Statuten aufgeführte Bedeutung.

Statuten

Der Begriff **Statuten** bedeutet die Statuten der Garmin Ltd. jeweils in ihrer aktuellsten Fassung.

Tochtergesellschaft

Der Begriff **Tochtergesellschaft** bedeutet sämtliche juristischen Personen oder Personenvereinigung, welche von einer anderen juristischen Person beherrscht werden.

Unabhängige Verwaltungsräte

Der Begriff **unabhängige Verwaltungsräte** bedeutet Verwaltungsräte, welche im Sinne der anwendbaren Bestimmungen derjenigen Börse, an welcher die Gesellschaft kotiert ist, unabhängig sind.

Unparteiische Mitglieder des Verwaltungsrates

Der Begriff **Unparteiische Mitglieder des Verwaltungsrates** bedeutet diejenigen Mitglieder des Verwaltungsrates, welche keine Nahestehenden Personen von Nahestehenden Aktionären sind und bereits Mitglieder des Verwaltungsrates waren, bevor ein Nahestehender Aktionär ein Nahestehender Aktionär wurde und jedes Verwaltungsratsmitglied, welches erst nachträglich eine Vakanz im Verwaltungsrat schloss oder erst nachträglich gewählt wurde und in jedem Fall keine Nahestehende Person des Nahestehenden Aktionärs ist und auf Empfehlung einer Mehrheit der damaligen Unparteiischen Mitgliedern des Verwaltungsrates gewählt wurde.

CO

The term **CO** has the meaning assigned to it in Art. 1 of these Articles of Association.

Auditor

The term **Auditor** has the meaning assigned to it in section C of these Articles of Association.

Secretary

The term **Secretary** has the meaning assigned to it in Art. 26 of these Articles of Association.

Registered Office

The term **Registered Office** has the meaning assigned to it in Art. 1 of these Articles of Association.

Articles of Association

The term **Articles of Association** shall mean the Articles of Association of Garmin Ltd. in their most recent version.

Subsidiary

The term **Subsidiary** shall mean any corporation, company, association, foundation or other incorporated legal entity, that directly, or indirectly through one or more intermediaries is under control of the person specified.

Independent Directors

The term **Independent Directors** shall mean members of the board who are recognized as such by the rules and regulations of the Exchange.

Disinterested Directors

The term **Disinterested Directors** shall mean any members of the Board of Directors who are unaffiliated with the Interested Shareholder and who were a member of the Board of Directors prior to the time that the Interested Shareholder became an Interested Shareholder, and any director who is thereafter chosen to fill any vacancy on the Board of Directors or who is elected and who, in either event, is unaffiliated with the Interested Shareholder, and in connection with his or her initial assumption of office is recommended for appointment or election by a majority of Disinterested Directors then on the Board of Directors.

Verwaltungsrat

Der Begriff **Verwaltungsrat** hat die in Abschnitt B dieser Statuten aufgeführte Bedeutung.

Verwaltungsratspräsident

Der Begriff **Verwaltungsratspräsident (Präsident)** hat die in Art. 26 dieser Statuten aufgeführte Bedeutung.

Zivilrechtliche Person

Der Begriff **Zivilrechtliche Person** bedeutet jede natürliche Person, Kapitalgesellschaft, rechts- oder nichtrechtsfähige Personengesellschaft oder jeder andere Rechtsträger. Für die Zwecke von Art. 32 b) dieser Statuten sind Individuen nicht erfasst.

Zusammenschluss

Der Begriff **Zusammenschluss** bedeutet (i) jede Fusion oder andere Form des Zusammenschlusses der Gesellschaft oder einer ihrer Tochtergesellschaften mit (i) einem Nahestehenden Aktionär (gemäss Definition in diesem Artikel) oder mit (ii) einer anderen Gesellschaft oder Unternehmung (unabhängig davon, ob diese selber ein Nahestehender Aktionär ist), falls diese eine Nahestehende Gesellschaft eines Nahestehenden Aktionärs ist oder durch die Fusion oder Zusammenführung eine solche wird oder (ii) jeder Verkauf, Vermietung oder Verpachtung, Austausch, hypothekarische Belastung oder andere Verpfändung, Übertragung oder andere Verfügung (ob in einer oder mehreren Transaktionen) an oder für einen Nahestehenden Aktionär oder eine Nahestehenden Gesellschaft eines solchen Nahestehenden Aktionärs bezüglich Vermögenswerten der Gesellschaft oder einer ihrer Tochtergesellschaften mit einem aggregierten Marktwert (gemäss Definition in diesem Artikel) der mindestens 25 % des Marktwertes der gesamten Aktiven unmittelbar vor der Transaktion entspricht, oder (iii) die Ausgabe oder Übertragung von Anteilen der Gesellschaft oder einer ihrer Tochtergesellschaften (ob in einer oder mehreren Transaktionen) mit einem aggregierten Marktwert, der mindestens 25 % des Marktwertes der gesamten Aktiven unmittelbar vor der Transaktion entspricht, an einen Nahestehenden Aktionär oder eine Nahestehende Gesellschaft eines solchen Nahestehenden Aktionärs im Austausch gegen Bargeld, Effekten oder anderen Vermögenswerten (oder einer Kombination solcher Werte) mit Ausnahme der Ausgabe oder Übertragung von Anteilen der Gesellschaft oder einer ihrer Tochtergesellschaften im Zusammenhang mit einem Mitarbeiterbeteiligungsprogramm der Gesellschaft oder einer ihrer Tochtergesellschaften, oder (iv) der

Board of Directors

The term **Board of Directors** has the meaning assigned to it in section B of these Articles of Association.

Chairman of the Board of Directors

The term **Chairman of the Board of Directors (Chairman)** has the meaning assigned to it in Art. 26 of these Articles of Association.

Person

The term **Person** shall mean any individual, corporation, partnership, unincorporated association or other entity. For purposes of Art. 32 b) of these Articles of Association, it shall not include individuals.

Business Combination

The term **Business Combination** shall mean (i) any merger or consolidation of the Company or any subsidiary with (i) any Interested Shareholder (as defined in this Article) or (ii) any other company or other entity (whether or not itself an Interested Shareholder) which is, or after such merger or consolidation would be, an Affiliate of an Interested Shareholder; or (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Shareholder, or any Affiliate of any Interested Shareholder, of any assets of the Company or any subsidiary having an aggregate Fair Market Value (as defined in this Article) equaling or exceeding twenty-five percent (25%) of the Fair Market Value of the combined assets immediately prior to such transfer of the Company and its subsidiaries; or (iii) the issuance or transfer by the Company or any subsidiary (in one transaction or a series of transactions) to any Interested Shareholder or any Affiliate of any Interested Shareholder in exchange for cash, securities or other property (or a combination thereof), of any securities of the Company or any subsidiary having an aggregate Fair Market Value equaling or exceeding twenty-five percent (25%) of the Fair Market Value of the combined assets immediately prior to such transfer of the Company and its subsidiaries except pursuant to an employee benefit plan of the Company or any subsidiary thereof; or (iv) the adoption of any plan or proposal for the liquidation or dissolution of the Company proposed by or on behalf of any Interested Shareholder or any Affiliate of any Interested Shareholder; or (v) any reclassification of securities of the Company (including any reverse share split), recapitalization of the Company, merger or consolidation of the Company with any of its

Beschluss über die Liquidation oder Auflösung der Gesellschaft auf Antrag oder im Namen eines Nahestehenden Aktionärs oder einer einem Nahestehenden Aktionär Nahestehenden Gesellschaft, oder (v) jede Änderung in der Klassifizierung der Anteile der Gesellschaft (einschliesslich das Zusammenlegen von Aktien), Rekapitalisierung der Gesellschaft, Fusion oder andere Form des Zusammenschlusses der Gesellschaft mit einer ihrer Tochtergesellschaften oder jede andere Transaktion (unabhängig davon, ob ein Nahestehender Aktionär involviert ist), die zu einer direkten oder indirekten Erhöhung des proportionalen Anteils der ausstehenden Anteile der Gesellschaft oder einer ihrer Tochtergesellschaften unabhängig von der Art der ausstehenden Anteilen (Aktien, Wandelanleihen) führen und die direkt oder indirekt einem Nahestehenden Aktionär oder einer Nahestehenden Gesellschaft eines Nahestehenden Aktionärs gehören („**Unverhältnismässige Transaktion**“), wobei eine solche Transaktion dann nicht als Unverhältnismässige Transaktion gelten soll, wenn die Erhöhung des Anteils des Nahestehenden Aktionärs bzw. der Nahestehenden Gesellschaft des Nahestehenden Aktionärs als Folge dieser Transaktion nicht grösser ist als die Erhöhung der Anteile der übrigen Aktionäre.

subsidiaries or other transaction (whether or not with or into or otherwise involving an Interested Shareholder), which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Company or any subsidiary which is directly or indirectly owned by any Interested Shareholder or any Affiliate of any Interested Shareholder (a “**Disproportionate Transaction**”); provided, however, that no such transaction shall be deemed a Disproportionate Transaction if the increase in the proportionate ownership of the Interested Shareholder or Affiliate as a result of such transaction is no greater than the increase experienced by the other stockholders generally.

Zürich, 8. Juni 2018
Zurich, June 8, 2018

Der ad hoc Vorsitzende:
The ad hoc chairperson:

Andrew Etkind

GARMIN LTD.

2011 NON-EMPLOYEE DIRECTORS' EQUITY
INCENTIVE PLAN

as amended and restated on February 15, 2019

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GARMIN LTD.
2011 Non-Employee Directors' Equity Incentive Plan

Article 1. Establishment, Objectives and Duration

- 1.1. Establishment and Amendment of the Plan. The Board of Directors (the "Board") of Garmin Ltd., a Swiss company (the "Company"), hereby establishes the incentive compensation plan to be known as the Garmin Ltd. 2011 Non-Employee Directors' Equity Incentive Plan (the "Plan"). Subject to approval of the shareholders of the Company, the Plan was adopted by the Board of Directors on February 11, 2011 to be effective on the date the Plan is approved by the shareholders of the Company (the "Effective Date"). The Plan was previously amended and restated on October 21, 2016 and was amended and restated again on February 15, 2019.
- 1.2. Objectives of the Plan. The Plan is intended to allow Eligible Directors of the Company to acquire or increase equity ownership in the Company, or to be compensated under the Plan based on growth in the Company's equity value, thereby strengthening their commitment to the success of the Company, aligning their interests with those of the shareholders of the Company, and to assist the Company in attracting and retaining experienced and knowledgeable individuals to serve as directors.
- 1.3. Reallocation of Shares from Amended and Restated 2000 Non-Employee Directors' Option Plan. From and after the Effective Date, the following Shares from the Garmin Ltd. Amended and Restated 2000 Non-Employee Directors' Option Plan (the "2000 Plan") shall be available for issuance pursuant to the Plan: (i) all Shares available for the grant of options under the 2000 Plan as of the Effective Date and (ii) with respect to outstanding options under the 2000 Plan as of the Effective Date that for any reason expire or are cancelled or terminated thereafter without having been exercised or vested in full, as the case may be, all Shares allocable to the unexercised or unvested portion of each such option (collectively, the "2000 Plan Shares"). Following the Effective Date, no additional options shall be granted under the 2000 Plan. From and after the Effective Date, all outstanding options granted under the 2000 Plan shall remain subject to the terms of the 2000 Plan. All Awards granted on or after the Effective Date of this Plan will be subject to the terms of this Plan.
- 1.4. Duration of the Plan. The Plan shall commence on the Effective Date and shall remain in effect, subject to the right of the Board to amend or terminate the Plan at any time pursuant to Article 12 hereof, until all Shares subject to it shall have been purchased or acquired according to the Plan's provisions.

Article 2. Definitions

Whenever used in the Plan, the following terms shall have the meanings set forth below:

- 2.1. "Article" means an Article of the Plan.

- 2.2. "Award" means Options, Restricted Shares, Bonus Shares, SARs, Restricted Stock Units, Performance Units or Performance Shares granted under the Plan.
- 2.3. "Award Agreement" means a written agreement by which an Award is evidenced.
- 2.4. "Beneficial Owner" has the meaning specified in Rule 13d-3 of the SEC under the Exchange Act.
- 2.5. "Board" has the meaning set forth in Section 1.1.
- 2.6. "Bonus Shares" means Shares that are awarded to a Grantee without cost and without restrictions in recognition of past performance.
- 2.7. "Business Criteria" has the meaning set forth in Section 5.8(c).
- 2.8. "Cause" means, (i) an Eligible Director's conviction of a felony or other crime involving fraud, dishonesty or moral turpitude; (ii) willful or reckless material misconduct in an Eligible Director's performance of his or her duties as a Director; or (iii) an Eligible Director's habitual neglect of duties; provided, that an Eligible Director who agrees to resign from his or her position on the Board in lieu of being removed for Cause, may be deemed to have been removed for Cause for purposes of this Plan.
- 2.9. "Change of Control" means, unless otherwise defined in an Award Agreement, any one or more of the following:
- (a) any Person other than (i) a Subsidiary, (ii) any employee benefit plan (or any related trust) of the Company or any of its Subsidiaries or (iii) any Excluded Person, becomes the Beneficial Owner of 35% or more of the shares of the Company representing 35% or more of the combined voting power of the Company (such a person or group, a "35% Owner"), except that (i) no Change of Control shall be deemed to have occurred solely by reason of such beneficial ownership by a corporation with respect to which both more than 60% of the common shares of such corporation and Voting Securities representing more than 60% of the aggregate voting power of such corporation are then owned, directly or indirectly, by the persons who were the direct or indirect owners of the shares of the Company immediately before such acquisition in substantially the same proportions as their ownership, immediately before such acquisition, of the shares of the Company, as the case may be and (ii) such corporation shall not be deemed a 35% Owner; or
 - (b) the Incumbent Directors (determined using the Effective Date as the baseline date) cease for any reason to constitute at least a majority of the directors of the Company then serving; or
 - (c) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of a merger, reorganization, consolidation, or similar

transaction, or the sale or other disposition of all or substantially all (at least 40%) of the consolidated assets of the Company or a resolution of dissolution of the Company (any of the foregoing transactions, a "Reorganization Transaction") which is not an Exempt Reorganization Transaction.

The definition of "Change of Control" may be amended at any time prior to the occurrence of a Change of Control, and such amended definition shall be applied to all Awards granted under the Plan whether or not outstanding at the time such definition is amended, without requiring the consent of any Grantee. Notwithstanding the occurrence of any of the foregoing events, (a) a Change of Control shall be deemed not to have occurred with respect to any Section 16 Person if such Section 16 Person is, by agreement (written or otherwise), a participant on such Section 16 Person's own behalf in a transaction which causes the Change of Control to occur and (b) a Change of Control shall not occur with respect to a Grantee if, in advance of such event, the Grantee agrees in writing that such event shall not constitute a Change of Control.

- 2.10. "Change of Control Value" means the Fair Market Value of a Share on the date of a Change of Control.
- 2.11. "Code" means the Internal Revenue Code of 1986, as amended from time to time, and regulations and rulings thereunder. References to a particular section of the Code include references to successor provisions of the Code or any successor statute.
- 2.12. "Company" has the meaning set forth in Section 1.1.
- 2.13. "Disabled" or "Disability" means an individual (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than 3 months under a Company-sponsored accident and health plan.
- 2.14. "Effective Date" has the meaning set forth in Section 1.1.
- 2.15. "Eligible Director" means any individual serving as a director on the Board. A director who is an officer of the Company or a Subsidiary or otherwise employed by the Company or a Subsidiary shall not be an Eligible Director; provided, however, an individual who, but for this sentence is otherwise an Eligible Director, ceases providing services as a Director and immediately begins providing services as an employee of the Company or a Subsidiary shall be ineligible to receive any new Awards under this Plan but, with respect to any existing Award held by such individual, shall be deemed to continue to be an Eligible Director under this Plan until he or she experiences a Termination of Affiliation.

- 2.16. "Exchange Act" means the Securities Exchange Act of 1934, as amended. References to a particular section of the Exchange Act include references to successor provisions.
- 2.17. "Excluded Person" means any Person who, along with such Person's Affiliates and Associates (as such terms are defined in Rule 12b-2 of the General Rules and Regulations under the Exchange Act) is the Beneficial Owner of 15% or more of the Shares outstanding as of the Effective Date.
- 2.18. "Exempt Reorganization Transaction" means a Reorganization Transaction which (i) results in the Persons who were the direct or indirect owners of the outstanding shares of the Company immediately before such Reorganization Transaction becoming, immediately after the consummation of such Reorganization Transaction, the direct or indirect owners of both more than 60% of the then-outstanding common shares of the Surviving Corporation and Voting Securities representing more than 60% of the aggregate voting power of the Surviving Corporation, in substantially the same respective proportions as such Persons' ownership of the shares of the Company immediately before such Reorganization Transaction, or (ii) after such transaction, more than 50% of the members of the board of directors of the Surviving Corporation were Incumbent Directors at the time of the Board's approval of the agreement providing for the Reorganization Transaction or other action of the Board approving the transaction (or whose election or nomination was approved by a vote of at least two-thirds of the members who were members of the Board at that time).
- 2.19. "Fair Market Value" means, unless otherwise determined or provided by the Board in the circumstances, (A) with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Board, and (B) with respect to Shares, (i) the last sale price (also referred to as the closing price) of a Share on such U.S. securities exchange as the Shares are then traded, for the applicable date, (ii) if such U.S. securities exchange is closed for trading on such date, or if the Shares do not trade on such date, then the last sales price used shall be the one on the date the Shares last traded on such U.S. securities exchange, or (iii) in the event that there shall be no public market for the Shares, the fair market value of the Shares as determined in good faith by the Board using a method consistently applied.
- 2.20. "Freestanding SAR" means any SAR that is granted independently of any Option.
- 2.21. "Grant Date" has the meaning set forth in Section 5.2.
- 2.22. "Grantee" means an Eligible Director who has been granted an Award.
- 2.23. "Including" or "includes" mean "including, without limitation," or "includes, without limitation", respectively.
- 2.24. "Incumbent Directors" means, as of any specified baseline date, individuals then serving as members of the Board who were members of the Board as of the date immediately preceding such baseline date; provided that any subsequently-

appointed or elected member of the Board whose election, or nomination for election by shareholders of the Company or the Surviving Corporation, as applicable, was approved by a vote or written consent of a majority of the directors then comprising the Incumbent Directors shall also thereafter be considered an Incumbent Director, unless the initial assumption of office of such subsequently-elected or appointed director was in connection with (i) an actual or threatened election contest, including a consent solicitation, relating to the election or removal of one or more members of the Board, (ii) a "tender offer" (as such term is used in Section 14(d) of the Exchange Act), or (iii) a proposed Reorganization Transaction.

- 2.25. "Mandatory Retirement Age" means the age for mandatory retirement according to the policy of the Board, if any, in place from time to time.
- 2.26. "Option" means an option granted under Article 6 of the Plan.
- 2.27. "Option Price" means the price at which a Share may be purchased by a Grantee pursuant to an Option.
- 2.28. "Option Term" means the period beginning on the Grant Date of an Option and ending on the expiration date of such Option, as specified in the Award Agreement for such Option and as may, consistent with the provisions of the Plan, be extended from time to time by the Board prior to the expiration date of such Option then in effect.
- 2.29. "Performance Award" means any Award that will be issued, granted, vested, exercisable or payable, as the case may be, upon the achievement of one or more Business Criteria, as set forth in Section 5.8.
- 2.30. "Performance Period" has the meaning set forth in Section 10.2.
- 2.31. "Performance Share" or "Performance Unit" means the Awards described in Article 10.
- 2.32. "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.
- 2.33. "Plan" has the meaning set forth in Section 1.1.
- 2.34. "Plan Committee" has the meaning set forth in Section 3.1.
- 2.35. "Reorganization Transaction" has the meaning set forth in Section 2.9(c).
- 2.36. "Restricted Shares" means Shares that are issued as an Award under the Plan that is subject to Restrictions.
- 2.37. "Restricted Stock Units" means units awarded to Grantees pursuant to Article 9 hereof, which are convertible into Shares at such time as such units are no longer subject to Restrictions as established by the Board.

- 2.38. "Restriction" means any restriction on a Grantee's free enjoyment of the Shares or other rights underlying Awards, including (a) that the Grantee or other holder may not sell, transfer, pledge, or assign a Share or right, and (b) such other restrictions as the Board may impose in the Award Agreement that are permissible under Swiss law. Restrictions may be based on the passage of time or the satisfaction of performance criteria or the occurrence of one or more events or conditions, and shall lapse separately or in combination upon such conditions and at such time or times, in installments or otherwise, as the Board shall specify. Awards subject to a Restriction shall be forfeited if the Restriction does not lapse prior to such date or the occurrence of such event or the satisfaction of such other criteria as the Board shall determine.
- 2.39. "Rule 16b-3" means Rule 16b-3 promulgated by the SEC under the Exchange Act, together with any successor rule, as in effect from time to time.
- 2.40. "SAR" means a stock appreciation right and includes both Tandem SARs and Freestanding SARs.
- 2.41. "SAR Term" means the period beginning on the Grant Date of a SAR and ending on the expiration date of such SAR, as specified in the Award Agreement for such SAR and as may, consistent with the provisions of the Plan, be extended from time to time by the Board prior to the expiration date of such SAR then in effect.
- 2.42. "SEC" means the United States Securities and Exchange Commission, or any successor thereto.
- 2.43. "Section" means, unless the context otherwise requires, a Section of the Plan.
- 2.44. "Section 16 Person" means a person who is subject to obligations under Section 16 of the Exchange Act with respect to transactions involving equity securities of the Company.
- 2.45. "Share" means a registered share, CHF 0.10 par value, of the Company.
- 2.46. "Subsidiary" means with respect to any Person (a) any corporation of which more than 50% of the Voting Securities are at the time, directly or indirectly, owned by such Person, and (b) any partnership or limited liability company in which such Person has a direct or indirect interest (whether in the form of voting power or participation in profits or capital contribution) of more than 50%.
- 2.47. "Substitute Option" has the meaning set forth in Section 6.3.
- 2.48. "Surviving Corporation" means the corporation resulting from a Reorganization Transaction or, if Voting Securities representing at least 50% of the aggregate voting power of such resulting corporation are directly or indirectly owned by another corporation, such other corporation.
- 2.49. "Tandem SAR" means a SAR that is granted in connection with, or related to, an Option, and which requires forfeiture of the right to purchase an equal number of

Shares under the related Option upon the exercise of such SAR; or alternatively, which requires the cancellation of an equal amount of SARs upon the purchase of the Shares subject to the Option.

- 2.50. "Termination of Affiliation" occurs on the first day on which an individual is for any reason no longer providing services to the Company in the capacity as an Eligible Director; provided, however, if an Eligible Director ceases providing services as a Director and immediately begins providing services as an employee, the individual will not be considered to have a Termination of Affiliation unless otherwise determined by the Board and as permitted under Code Section 409A. A Termination of Affiliation shall have the same meaning as a "separation from service" under Code Section 409A(2)(A)(i).
- 2.51. "Voting Securities" of a corporation means securities of such corporation that are entitled to vote generally in the election of directors, but not including any other class of securities of such corporation that may have voting power by reason of the occurrence of a contingency.
- 2.52. "2000 Plan" shall have the meaning set forth in Section 1.03.
- 2.53. "2000 Plan Shares" shall have the meaning set forth in Section 1.03.

Article 3. Administration

- 3.1. Board and Plan Committee. Subject to Article 12, and to Section 3.2, the Plan shall be administered by the Board, or a committee of the Board appointed by the Board to administer the Plan ("Plan Committee"). To the extent the Board considers it desirable for transactions relating to Awards to be eligible to qualify for an exemption under Rule 16b-3, the Plan Committee shall consist of two or more directors of the Company, all of whom qualify as "non-employee directors" within the meaning of Rule 16b-3. The number of members of the Plan Committee shall from time to time be increased or decreased, and shall be subject to such conditions, including, but not limited to having exclusive authority to make certain grants of Awards or to perform such other acts, in each case as the Board deems appropriate to permit transactions in Shares pursuant to the Plan to satisfy such conditions of Rule 16b-3 as then in effect.

Any references herein to "Board" are, except as the context requires otherwise, references to the Board or the Plan Committee, as applicable.

- 3.2. Powers of the Board. Subject to the express provisions of the Plan, the Board has full and final authority and sole discretion as follows:
 - (a) taking into consideration the reasonable recommendations of management, to determine when, to whom and in what types and amounts Awards should be granted and the terms and conditions applicable to each Award, including the Option Price, the Option Term, the Restrictions, the benefit payable under any SAR, Performance Unit or Performance Share and whether or not specific Awards shall be granted in connection with other specific

Awards, and if so whether they shall be exercisable cumulatively with, or alternatively to, such other specific Awards;

- (b) to determine the amount, if any, that a Grantee shall pay for Restricted Shares, whether and on what terms to permit or require the payment of cash dividends thereon to be deferred, when Restrictions on Restricted Shares (including Restricted Shares acquired upon the exercise of an Option) shall lapse and whether such shares shall be held in escrow;
- (c) to construe and interpret the Plan and to make all determinations necessary or advisable for the administration of the Plan;
- (d) to make, amend, and rescind rules relating to the Plan, including rules with respect to the exercisability and nonforfeitability of Awards and lapse of Restrictions upon the Termination of Affiliation of a Grantee;
- (e) to determine the terms and conditions of all Award Agreements (which need not be identical) and, with the consent of the Grantee, to amend any such Award Agreement at any time, among other things, to permit transfers of such Awards to the extent permitted by the Plan; *provided* that the consent of the Grantee shall not be required for any amendment which (A) does not adversely affect the rights of the Grantee, or (B) is necessary or advisable (as determined by the Board) to carry out the purpose of the Award as a result of any new or change in existing applicable law;
- (f) to cancel, with the consent of the Grantee, outstanding Awards and to grant new Awards in substitution therefor; *provided* that any replacement grant that would be considered a repricing shall be subject to shareholder approval;
- (g) to accelerate the exercisability (including exercisability within a period of less than six months after the Grant Date) of, and to accelerate or waive any or all of the terms conditions or Restrictions applicable to, any Award or any group of Awards for any reason and at any time, including in connection with a Termination of Affiliation;
- (h) subject to Section 5.3, to extend the time during which any Award or group of Awards may be exercised;
- (i) to make such adjustments or modifications to Awards to Grantees who are located outside the United States as are advisable to fulfill the purposes of the Plan or to comply with applicable local law;
- (j) to delegate to any member of the Board or committee of Board members such of its powers as it deems appropriate, including the power to subdelegate, except that only a member of the Board of Directors of the Company (or a committee thereof) may grant Awards from time to time to specified categories of Eligible Directors in amounts and on terms to be specified by the Board; *provided* that no such grants shall be made other

than by the Board or the Plan Committee to individuals who are then Section 16 Persons;

- (k) to delegate to officers, employees or independent contractors of the Company matters involving the routine administration of the Plan and which are not specifically required by any provision of the Plan to be performed by the Board of Directors of the Company;
- (l) to correct any defect or supply any omission or reconcile any inconsistency, and construe and interpret the Plan, the rules and regulations, any Award Agreement or any other instrument entered into or relating to an Award under the Plan, and to make all determinations, including factual determinations, necessary or advisable for the administration of the Plan;
- (m) to impose such additional terms and conditions upon the grant, exercise or retention of Awards as the Board may, before or concurrently with the grant thereof, deem appropriate, including limiting the percentage of Awards which may from time to time be exercised by a Grantee; and
- (n) to take any other action with respect to any matters relating to the Plan for which it is responsible.

All determinations on any matter relating to the Plan or any Award Agreement may be made in the sole and absolute discretion of the Board, and to the fullest extent permitted by the applicable law all such determinations of the Board shall be final, conclusive and binding on all Persons. To the fullest extent permitted by the applicable law no member of the Board shall be liable for any action or determination made with respect to the Plan or any Award.

Article 4. Shares Subject to the Plan

4.1. Number of Shares Available. Subject to adjustment as provided in Section 4.2, the Shares reserved for delivery under the Plan shall consist of the 2000 Plan Shares. If any Shares subject to an Award granted hereunder are forfeited or an Award or any portion thereof otherwise terminates or is settled without the issuance of Shares, the Shares subject to such Award, to the extent of any such forfeiture, termination or settlement, shall again be available for grant under the Plan. The Board may from time to time determine the appropriate methodology for calculating the number of Shares issued pursuant to the Plan.

4.2. Adjustments in Shares.

- (a) *Adjustment Principle.* In the event that the Board determines that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, share split, reverse share split, subdivision, consolidation or reduction of capital, reorganization, merger, scheme of arrangement, split-up, spin-off or combination involving the Company or repurchase or exchange of Shares or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that any adjustment is

determined by the Board to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Board shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities or property of the Company or any Person that is a party to a Reorganization Transaction with the Company) with respect to which Awards may be granted, (ii) the number and type of Shares (or other securities or property of the Company or any Person that is a party to a Reorganization Transaction with the Company) subject to outstanding Awards, and (iii) the grant or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award or the substitution of other property for Shares subject to an outstanding Award; provided, that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

Article 5. Eligibility and General Conditions of Awards

- 5.1. Eligibility. The Board may grant Awards to any Eligible Director, whether or not he or she has previously received an Award.
- 5.2. Grant Date. The Grant Date of an Award shall be the date on which the Board grants the Award or such later date as specified by the Board (i) in the Board's resolutions or minutes addressing the Award grants or (ii) in the Award Agreement.
- 5.3. Maximum Term. Subject to the following proviso, the Option Term or other period during which an Award may be outstanding shall not extend more than 10 years after the Grant Date, and shall be subject to earlier termination as herein specified.
- 5.4. Award Agreement. To the extent not set forth in the Plan, the terms and conditions of each Award (which need not be the same for each grant or for each Grantee) shall be set forth in an Award Agreement.
- 5.5. Restrictions on Share Transferability. The Board may include in the Award Agreement such restrictions on any Shares acquired pursuant to the exercise or vesting of an Award as it may deem advisable, including restrictions under applicable federal securities laws.
- 5.6. Termination of Affiliation. Except as otherwise provided in an Award Agreement (including an Award Agreement as amended by the Board pursuant to Section 3.2), and subject to the provisions of Section 12.1, the extent to which the Grantee shall have the right to exercise, vest in, or receive payment in respect of an Award following Termination of Affiliation shall be determined in accordance with the following provisions of this Section 5.6.
 - (a) For Cause. If a Grantee has a Termination of Affiliation for Cause:
 - (i) the Grantee's Restricted Shares that are forfeitable immediately before such Termination of Affiliation shall automatically be

forfeited on such date, subject in the case of Restricted Shares to the provisions of Section 8.5 regarding repayment of certain amounts to the Grantee;

- (ii) the Grantee's Restricted Stock Units shall automatically be forfeited; and
- (iii) any unexercised Option or SAR, and any Performance Share or Performance Unit with respect to which the Performance Period has not ended immediately before such Termination of Affiliation, shall terminate effective immediately upon such Termination of Affiliation.

(b) On Account of Death, Disability, Retirement or Mandatory Retirement. If a Grantee has a Termination of Affiliation on account of death, Disability or retirement on or after attaining Mandatory Retirement Age:

- (i) the Grantee's Restricted Shares that were forfeitable immediately before such Termination of Affiliation shall thereupon become nonforfeitable;
- (ii) the Grantee's Restricted Stock Units shall immediately be settled in accordance with Section 9.4;
- (iii) any unexercised Option or SAR, whether or not exercisable immediately before such Termination of Affiliation, shall be fully exercisable and may be exercised, in whole or in part, at any time up to one year after such Termination of Affiliation (but only during the Option Term or SAR Term, respectively) by the Grantee or, after his or her death, by (A) his or her legal personal representative or the person to whom the Option or SAR, as applicable, is transferred by will or the applicable laws of descent and distribution, or (B) the Grantee's beneficiary designated in accordance with Article 11; and
- (iv) the benefit payable with respect to any Performance Share or Performance Unit with respect to which the Performance Period has not ended immediately before such Termination of Affiliation on account of death or Disability shall be equal to the product of the Fair Market Value of a Share as of the date of such Termination of Affiliation or the value of the Performance Unit specified in the Award Agreement (determined as of the date of such Termination of Affiliation), as applicable, multiplied successively by each of the following:
 - (A) a fraction, the numerator of which is the number of months (including as a whole month any partial month) that have elapsed since the beginning of such Performance Period until the date of such Termination of Affiliation and the denominator of which is the number of months (including as

a whole month any partial month) in the Performance Period; and

- (B) a percentage determined by the Board that would be earned under the terms of the applicable Award Agreement assuming that the rate at which the performance goals have been achieved as of the date of such Termination of Affiliation would continue until the end of the Performance Period, or, if the Board elects to compute the benefit after the end of the Performance Period, the performance percentage, as determined by the Board, attained during the Performance Period.

- (c) Involuntary Removal. If an Eligible Director is removed by the Company other than for Cause including, but not limited to, the Company's decision not to slate such Eligible Director for reelection, then:

- (i) the Grantee's Restricted Shares that were forfeitable shall thereupon become nonforfeitable;
- (ii) the Grantee's Restricted Stock Units shall immediately be settled in accordance with Section 9.4;
- (iii) any unexercised Option or SAR, whether or not exercisable on the date of such Termination of Affiliation, shall thereupon be fully exercisable and may be exercised, in whole or in part for ninety (90) days following such Termination of Affiliation (but only during the Option Term or SAR Term, respectively); and
- (iv) the Company shall immediately pay to the Grantee, with respect to any Performance Share or Performance Unit with respect to which the Performance Period has not ended as of the date of such Termination of Affiliation, a cash payment equal to the product of (A) with respect to a Performance Share either (I) in the case of an Involuntary Removal occurring within the one-year period immediately following a Change of Control, the Change of Control Value or (II) in the case of an Involuntary Removal outside of the one-year period immediately following a Change of Control, the Fair Market Value on the effective date of the Grantee's Termination of Affiliation, or (B) in the case of a Performance Unit, the value of the Performance Unit specified in the Award Agreement, as applicable, multiplied successively by each of the following:
 - (A) a fraction, the numerator of which is the number of whole and partial months that have elapsed between the beginning of such Performance Period and the date of such Termination of Affiliation and the denominator of which is

the number of whole and partial months in the Performance Period; and

- (B) a percentage equal to a greater of (x) the target percentage, if any, specified in the applicable Award Agreement or (y) the maximum percentage, if any, that would be earned under the terms of the applicable Award Agreement assuming that the rate at which the performance goals have been achieved as of the date of such Termination of Affiliation would continue until the end of the Performance Period.
- (d) Any Other Reason. If an Eligible Director has a Termination of Affiliation for any other reason including, but not limited to, failure to be reelected to the Board or voluntary resignation (including failure to run for reelection), then:
- (i) the Grantee's Restricted Shares, to the extent forfeitable immediately before such Termination of Affiliation, shall thereupon automatically be forfeited, subject in the case of Restricted Shares to the provisions of Section 8.5 regarding repayment of certain amounts to the Grantee;
 - (ii) the Grantee's Restricted Stock Units shall automatically be forfeited;
 - (iii) any unexercised Option or SAR, to the extent exercisable immediately before such Termination of Affiliation, shall remain exercisable in whole or in part for ninety (90) days after such Termination of Affiliation (but only during the Option Term or SAR Term, respectively) by the Grantee or, after his or her death, by (A) his or her legal personal representative or the person to whom the Option or SAR, as applicable, is transferred by will or the applicable laws of descent and distribution, or (B) the Grantee's beneficiary designated in accordance with Article 11; and
 - (iv) any Performance Shares or Performance Units with respect to which the Performance Period has not ended as of the date of such Termination of Affiliation shall terminate immediately upon such Termination of Affiliation.

5.7. Nontransferability of Awards.

- (a) Except as provided in Section 5.7(c) below, each Award, and each right under any Award, shall be exercisable only by the Grantee during the Grantee's lifetime, or, if permissible under applicable law, by the Grantee's guardian or legal personal representative.
- (b) Except as provided in Section 5.7(c) below, no Award (prior to the time, if applicable, Shares are issued in respect of such Award), and no right under any Award, may be assigned, alienated, pledged, attached, sold or otherwise

transferred or encumbered by a Grantee otherwise than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Subsidiary; *provided*, that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

- (c) To the extent and in the manner permitted by the Board, and subject to such terms and conditions as may be prescribed by the Board, a Grantee may transfer an Award to (i) a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the Grantee, (including adoptive relationships), (ii) any person sharing the Grantee's household (other than a tenant or employee), (iii) a trust in which persons described in (i) or (ii) have more than 50% of the beneficial interest, (iv) a foundation in which persons described in (i) or (ii) or the Grantee own more than 50% of the voting interests; provided such transfer is not for value. The following shall not be considered transfers for value: (I) a transfer under a domestic relations order in settlement of marital property rights; and (II) a transfer to an entity in which more than 50% of the voting interests are owned by persons described in (i) or (ii) above or the Grantee, in exchange for an interest in that entity.

5.8. Performance Awards.

- (a) General. Any type of Award that is eligible to be granted under the Plan may be granted to Eligible Directors subject to or conditional upon one or more performance conditions ("Performance Awards"). The grant, vesting, exercisability or payment of Performance Awards may depend on the degree of achievement of one or more performance goals relative to a preestablished target level or levels using one or more of the Business Criteria set forth below.
- (b) Class. All Eligible Directors are eligible to receive Performance Awards.
- (c) Performance Goals. The specific performance goals for Performance Awards shall be, on an absolute or relative basis, established based on one or more of the following business criteria ("Business Criteria") for the Company on a segregated or consolidated basis or for one or more of the Company's subsidiaries, segments, divisions, or business units, as selected by the Board:
 - (i) Earnings (either in the aggregate or on a per-Share basis);
 - (ii) Operating profit (either in the aggregate or on a per-Share basis);
 - (iii) Operating income (either in the aggregate or on a per-Share basis);

- (iv) Net earnings on either a LIFO or FIFO basis (either in the aggregate or on a per-Share basis);
- (v) Net income or loss (either in the aggregate or on a per-Share basis);
- (vi) Ratio of debt to debt plus equity;
- (vii) Net borrowing;
- (viii) Credit quality or debt ratings;
- (ix) Inventory levels, inventory turn or shrinkage;
- (x) Cash flow provided by operations (either in the aggregate or on a per-Share basis);
- (xi) Free cash flow (either in the aggregate or on a per-Share basis);
- (xii) Reductions in expense levels, determined either on a Company-wide basis or in respect of any one or more business units;
- (xiii) Operating and maintenance cost management and employee productivity;
- (xiv) Gross margin;
- (xv) Return measures (including return on assets, equity, or sales);
- (xvi) Productivity increases;
- (xvii) Share price (including attainment of a specified per-Share price during the relevant performance period; growth measures and total shareholder return or attainment by the Shares of a specified price for a specified period of time);
- (xviii) Where applicable, growth or rate of growth of any of the above Business Criteria set forth in this Section 5.8(c);
- (xix) Strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market share, market penetration, geographic business expansion goals, objectively identified project milestones, production volume levels, cost targets, and goals relating to acquisitions or divestitures;
- (xx) Achievement of business or operational goals such as market share and/or business development; and/or
- (xxi) Accomplishment of mergers, acquisitions, dispositions, public offerings or similar extraordinary business transactions;

- (xxii) provided that applicable Business Criteria may be applied on a pre- or post-tax basis; and provided further that the Board may, when the applicable performance goals are established, provide that the formula for such goals may include or exclude items to measure specific objectives, such as losses from discontinued operations, extraordinary gains or losses, the cumulative effect of accounting changes, acquisitions or divestitures, foreign exchange impacts and any unusual, nonrecurring gain or loss. As established by the Board, the Business Criteria may include, without limitation, GAAP and non-GAAP financial measures. In addition to the foregoing performance goals, the performance goals shall also include any performance goals which are set forth in a Company bonus or incentive plan, if any, which are incorporated herein by reference.
- (d) Flexibility as to Timing, Weighting, Applicable Business Unit. The Board shall have full discretion as to when the applicable Business Criteria are established. The levels of performance required with respect to Business Criteria may be expressed in absolute or relative levels and may be based upon a set increase, set positive result, maintenance of the status quo, set decrease or set negative result. Business Criteria may differ for Awards to different Grantees. The Board shall specify the weighting (which may be the same or different for multiple objectives) to be given to each performance objective for purposes of determining the final amount payable with respect to any such Award. Any one or more of the Business Criteria may apply to a Grantee, to the Company as a whole, to one or more Subsidiaries or to a department, unit, division or function within the Company, within any one or more Subsidiaries or any one or more joint ventures of which the Company is a party, and may apply either alone or relative to the performance of other businesses or individuals (including industry or general market indices).
- (e) Discretion to Adjust. The Board shall have full discretion to adjust the determinations of the degree of attainment of the performance goals or to alter the governing Business Criteria applicable to any Award at any time.

Article 6. Stock Options

- 6.1. Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to any Eligible Director in such number, and upon such terms, and at any time and from time to time as shall be determined by the Board. Without limiting the generality of the foregoing, the Board may grant to any Eligible Director, or permit any Eligible Director to elect to receive, an Option in lieu of or in substitution for any other compensation (whether payable currently or on a deferred basis, and whether payable under the Plan or otherwise) which such Eligible Director may be eligible to receive from the Company, which Option may have a value (as determined by the Board under Black-Scholes or any other option valuation method) that is equal to or greater than the amount of such other compensation.

- 6.2. Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the Option Term, the number of shares to which the Option pertains, the time or times at which such Option shall be exercisable and such other provisions as the Board shall determine.
- 6.3. Option Price. The Option Price of an Option under the Plan shall be determined by the Board, and shall be the higher of 100% of the Fair Market Value of a Share on the Grant Date or 100% of the par value of a Share; provided, however, that any Option ("Substitute Option") that is (x) granted to a Grantee in connection with the acquisition ("Acquisition"), however effected, by the Company of another corporation or entity ("Acquired Entity") or the assets thereof, (y) associated with an option to purchase shares of stock or other equity interest of the Acquired Entity or an affiliate thereof ("Acquired Entity Option") held by such Grantee immediately prior to such Acquisition, and (z) intended to preserve for the Grantee the economic value of all or a portion of such Acquired Entity Option, shall be granted such that such option substitution is completed in conformity with the rules set forth in Section 424(a) of the Code.
- 6.4. Exercise of Options. Options shall be exercised by the delivery of a written notice of exercise to the Company or its designee, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares as instructed by the Board or, subject to the approval of the Board pursuant to procedures approved by the Board,
- (a) through the sale of the Shares acquired on exercise of the Option through a broker-dealer to whom the Grantee has submitted an irrevocable notice of exercise and irrevocable instructions to deliver promptly to the Company the amount of sale or loan proceeds sufficient to pay for such Shares, together with, if requested by the Company, the amount of federal, state, local or foreign withholding taxes payable by Grantee by reason of such exercise,
 - (b) through simultaneous sale through a broker of Shares acquired on exercise, as permitted under Regulation T of the Federal Reserve Board,
 - (c) by transfer to the Company of the number of Shares then owned by the Grantee, the Fair Market Value of which equals the purchase price of the Shares purchased in connection with the Option exercise, properly endorsed for transfer to the Company; *provided however*, that Shares used for this purpose must have been held by the Grantee for such minimum period of time as may be established from time to time by the Board; and provided further that the Fair Market Value of any Shares delivered in payment of the purchase price upon exercise of the Options shall be the Fair Market Value as of the exercise date, which shall be the date of delivery of the certificates for the Shares used as payment of the exercise price. For purposes of this Section 6.4, in lieu of actually transferring to the Company the number of Shares then owned by the Grantee, the Board may, in its discretion permit the Grantee to submit to the Company a statement affirming ownership by

the Grantee of such number of Shares and request that such Shares, although not actually transferred, be deemed to have been transferred by the Grantee as payment of the exercise price, or

- (d) by a "net exercise" arrangement pursuant to which the Company will not require a payment of the Option Price but will reduce the number of Shares upon the exercise by the largest number of whole shares that has a Fair Market Value on the date of exercise that does not exceed the aggregate Option Price. With respect to any remaining balance of the aggregate option price, the Company will accept a cash payment from the Grantee.

Article 7. Stock Appreciation Rights

- 7.1. Grant of SARs. Subject to the terms and conditions of the Plan, SARs may be granted to any Eligible Director at any time and from time to time as shall be determined by the Board in its sole discretion. The Board may grant Freestanding SARs or Tandem SARs, or any combination thereof.
 - (a) Number of Shares. The Board shall have complete discretion to determine the number of SARs granted to any Grantee, subject to the limitations imposed in the Plan and by applicable law.
 - (b) Exercise Price and Other Terms. All SARs shall be granted with an exercise price no less than the Fair Market Value of the underlying Shares on the SARs' Grant Date. The Board, subject to the provisions of the Plan, shall have complete discretion to determine the terms and conditions of SARs granted under the Plan. The exercise price per Share of Tandem SARs shall equal the exercise price per Share of the related Option.
- 7.2. SAR Award Agreement. Each SAR granted under the Plan shall be evidenced by a written SAR Award Agreement which shall be entered into by the Company and the Grantee to whom the SAR is granted and which shall specify the exercise price per share, the SAR Term, the conditions of exercise, and such other terms and conditions as the Board in its sole discretion shall determine.
- 7.3. Exercise of SARs. SARs shall be exercised by the delivery of a written notice of exercise to the Company or its designee, setting forth the number of Shares over which the SAR is to be exercised. Tandem SARs (a) may be exercised with respect to all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option; (b) may be exercised only with respect to the Shares for which its related Option is then exercisable; and (c) may be exercised only when the Fair Market Value of the Shares subject to the Option exceeds the Option Price of the Option. The value of the payment with respect to the Tandem SAR may be no more than 100% of the difference between the Option Price of the underlying Option and the Fair Market Value of the Shares subject to the underlying Option at the time the Tandem SAR is exercised.
- 7.4. Expiration of SARs. A SAR granted under the Plan shall expire on the date set forth in the SAR Award Agreement, which date shall be determined by the Board

in its sole discretion. Unless otherwise specifically provided for in the SAR Award agreement, a Tandem SAR granted under the Plan shall be exercisable at such time or times and only to the extent that the related Option is exercisable. The Tandem SAR shall terminate and no longer be exercisable upon the termination or exercise of the related Options, except that Tandem SARs granted with respect to less than the full number of Shares covered by a related Option shall not be reduced until the exercise or termination of the related Option exceeds the number of Shares not covered by the SARs.

- 7.5. Payment of SAR Amount. Upon exercise of a SAR, a Grantee shall be entitled to receive payment from the Company in an amount determined by multiplying (i) the positive difference between the Fair Market Value of a Share on the date of exercise over the exercise price per Share by (ii) the number of Shares with respect to which the SAR is exercised. The payment upon a SAR exercise shall be solely in whole Shares of equivalent value. Fractional Shares shall be rounded down to the nearest whole Share with no cash consideration being paid upon exercise.

Article 8. Restricted Shares and Bonus Shares

- 8.1. Grant of Restricted Shares. Subject to the terms and provisions of the Plan, the Board, at any time and from time to time, may grant Restricted Shares to any Eligible Director in such amounts as the Board shall determine.
- 8.2. Bonus Shares. Subject to the terms of the Plan, the Board may grant Bonus Shares to any Eligible Director, in such amount and upon such terms and at any time and from time to time as shall be determined by the Board. Bonus Shares shall be Shares issued without any Restriction.
- 8.3. Award Agreement. Each grant of Restricted Shares shall be evidenced by an Award Agreement, which shall specify the Restrictions and the Period(s) of Restriction, the number of Restricted Shares granted, and such other provisions as the Board shall determine. The Board may impose such Restrictions on any Restricted Shares as it may deem advisable, including Restrictions based upon the achievement of specific performance goals (Company-wide, divisional, Subsidiary or individual), time-based Restrictions on vesting or Restrictions under applicable securities laws; provided that in all cases, the Restricted Shares shall be subject to a minimum one-year vesting period, except, if as provided in the Award Agreement, in the event of death, disability, retirement or Mandatory Retirement, or Termination of Affiliation by the Company other than for Cause.
- 8.4. Consideration. The Board shall determine the amount, if any, that a Grantee shall pay for Restricted Shares or Bonus Shares. Such payment shall be made in full by the Grantee before the delivery of the shares and in any event no later than 10 business days after the Grant Date for such shares.
- 8.5. Effect of Forfeiture. If Restricted Shares are forfeited, and if the Grantee was required to pay for such shares or acquired such Restricted Shares upon the exercise of an Option, the Grantee shall resell such Restricted Shares to the Company at a

price equal to the lesser of (x) the amount paid by the Grantee for such Restricted Shares, or (y) the Fair Market Value of a Share on the date of such forfeiture. The Company shall pay to the Grantee the required amount as soon as is administratively practical.

- 8.6. Escrow. The Board may provide that any Restricted Shares or Bonus Shares shall be represented by, at the option of the Board, either book entry registration or by a stock certificate or certificates. If the shares of Restricted Shares are represented by a certificate or certificates, such shares shall be held (together with an assignment or endorsement executed in blank by the Grantee) in escrow by an escrow agent until such Restricted Shares become nonforfeitable or are forfeited.
- 8.7. Notification under Code Section 83(b). If the Grantee, in connection with the exercise of any Option, or the grant of Restricted Shares, makes the election permitted under Section 83(b) of the Code to include in such Grantee's gross income in the year of transfer the amounts specified in Section 83(b) of the Code, then such Grantee shall notify the Company of such election within 10 days of filing the notice of the election with the Internal Revenue Service, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code. The Board may, in connection with the grant of an Award or at any time thereafter prior to such an election being made, prohibit a Grantee from making the election described above.

Article 9. Restricted Stock Units

- 9.1. Grant of Restricted Stock Units. Subject to and consistent with the provisions of the Plan and Code Sections 409A(a)(2), (3) and (4), the Board, at any time and from time to time, may grant Restricted Stock Units to any Eligible Director, in such amount and upon such terms as the Board shall determine. A Grantee shall have no voting rights in Restricted Stock Units.
- 9.2. Award Agreement. Each grant of Restricted Stock Units shall be evidenced by an Award Agreement that shall specify the Restrictions, the number of Shares subject to the Restricted Stock Units granted, and such other provisions as the Board shall determine in accordance with the Plan and Code Section 409A. The Board may impose such Restrictions on Restricted Stock Units, including time-based Restrictions, Restrictions based on the achievement of specific performance goals, time-based Restrictions following the achievement of specific performance goals, Restrictions based on the occurrence of a specified event, and/or restrictions under applicable securities laws; provided that in all cases the Restricted Stock Units shall be subject to a minimum one-year vesting period, except, if as provided in the Award Agreement, in the event of death, disability, retirement or Mandatory Retirement, or Termination of Affiliation by the Company other than for Cause.
- 9.3. Crediting Restricted Stock Units. The Company shall establish an account ("RSU Account") on its books for each Eligible Director who receives a grant of Restricted Stock Units. Restricted Stock Units shall be credited to the Grantee's RSU Account as of the Grant Date of such Restricted Stock Units. RSU Accounts shall be

maintained for recordkeeping purposes only and the Company shall not be obligated to segregate or set aside assets representing securities or other amounts credited to RSU Accounts. The obligation to make distributions of securities or other amounts credited to RSU Accounts shall be an unfunded, unsecured obligation of the Company.

- 9.4. Settlement of RSU Accounts. The Company shall settle an RSU Account by delivering to the holder thereof (which may be the Grantee or his or her beneficiary, as applicable) a number of Shares equal to the whole number of Shares underlying the Restricted Stock Units then credited to the Grantee's RSU Account (or a specified portion in the event of any partial settlement); provided that any fractional Shares underlying Restricted Stock Units remaining in the RSU Account on the Settlement Date shall be distributed in cash in an amount equal to the Fair Market Value of a Share as of the Settlement Date multiplied by the remaining fractional Restricted Stock Unit. The "Settlement Date" for all Restricted Stock Units credited to a Grantee's RSU Account shall be the date when Restrictions applicable to an Award of Restricted Stock Units have lapsed.

Article 10. Performance Units and Performance Shares

- 10.1. Grant of Performance Units and Performance Shares. Subject to the terms of the Plan, Performance Units or Performance Shares may be granted to any Eligible Director in such amounts and upon such terms, and at any time and from time to time, as the Board shall determine. Each grant of Performance Units or Performance Shares shall be evidenced by an Award Agreement which shall specify the terms and conditions applicable to the Performance Units or Performance Shares, as the Board determines.
- 10.2. Value/Performance Goals. Each Performance Unit shall have an initial value that is established by the Board at the time of grant, that is equal to the Fair Market Value of a Share on the Grant Date. The Board shall set the Business Criteria which, depending on the extent to which they are met, will determine the number or value of Performance Units or Performance Shares that will be paid to the Grantee. For purposes of this Article 10, the time period during which the performance goals must be met shall be called a "Performance Period." The Board shall have complete discretion to establish the performance goals.
- 10.3. Payment of Performance Units and Performance Shares. Subject to the terms of the Plan, after the applicable Performance Period has ended, the holder of Performance Units or Performance Shares shall be entitled to receive a payment based on the number and value of Performance Units or Performance Shares earned by the Grantee over the Performance Period, determined as a function of the extent to which the corresponding performance goals have been achieved.
- 10.4. Form and Timing of Payment of Performance Units and Performance Shares. Payment of earned Performance Units or Performance Shares shall be made in a lump sum following the close of the applicable Performance Period. The Board may cause earned Performance Units or Performance Shares to be paid in cash or

in Shares (or in a combination thereof) which have an aggregate Fair Market Value equal to the value of the earned Performance Units or Performance Shares at the close of the applicable Performance Period. Such Shares may be granted subject to any restrictions deemed appropriate by the Board. The form of payout of such Awards shall be set forth in the Award Agreement pertaining to the grant of the Award.

As determined by the Board, a Grantee may be entitled to receive any dividends declared with respect to Shares which have been earned in connection with grants of Performance Units or Performance Shares but not yet distributed to the Grantee. In addition, a Grantee may, as determined by the Board, be entitled to exercise his or her voting rights with respect to such Shares.

Article 11. Beneficiary Designation

Each Grantee under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of the Grantee's death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Grantee, shall be in a form prescribed by the Company, and will be effective only when filed by the Grantee in writing with the Company during the Grantee's lifetime. In the absence of any such designation, benefits remaining unpaid at the Grantee's death shall be paid to the Grantee's estate.

Article 12. Amendment, Modification, and Termination

- 12.1. Amendment, Modification, and Termination. Subject to the terms of the Plan, the Board may at any time and from time to time, alter, amend, suspend or terminate the Plan in whole or in part without the approval of the Company's shareholders, except to the extent the Board determines it is desirable to obtain approval of the Company's shareholders, to comply with the requirements for listing on any exchange where the Company's Shares are listed, or for any other purpose the Board deems appropriate.
- 12.2. Adjustments Upon Certain Unusual or Nonrecurring Events. The Board may make adjustments in the terms and conditions of Awards in recognition of unusual or nonrecurring events (including the events described in Section 4.2) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Board determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.
- 12.3. Awards Previously Granted. Notwithstanding any other provision of the Plan to the contrary (but subject to Section 2.9 (amendments in connection with a Change of Control) and Section 12.2), no termination, amendment or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Grantee of such Award. Any adjustment, modification, extension or renewal of an Award shall be effected such that the Award, at all times, is either exempt from, or is compliant with, Code section 409A.

12.4. Adjustments in Connection with Change of Control. In the event the Company undergoes a Change of Control or in the event of a separation, spin-off, sale of a material portion of the Company's assets or any "going private" transaction under Rule 13e-3 promulgated pursuant to the Exchange Act and in which a Change of Control does not occur, the Board, or the board of directors of any corporation assuming the obligations of the Company, shall have the full power and discretion to prescribe and amend the terms and conditions for the exercise, or modification, of any outstanding Awards granted hereunder in the manner as agreed to by the Board as set forth in the definitive agreement relating to the transaction. Without limitation, the Board may:

- (a) remove restrictions on Restricted Shares and Restricted Stock Units;
- (b) modify the performance requirements for any other Awards;
- (c) provide that Options or other Awards granted hereunder must be exercised in connection with the closing of such transactions, and that if not so exercised such Awards will expire;
- (d) provide for the purchase by the Company of any such Award, upon the Grantee's request, for an amount of cash equal to the amount that could have been attained upon the exercise of such Award or realization of the Grantee's rights had such Award been currently exercisable or payable;
- (e) make such adjustment to any such Award then outstanding as the Board deems appropriate to reflect such Change of Control;
- (f) cause any such Award then outstanding to be assumed, or new rights substituted therefore, by the acquiring or surviving corporation after such Change of Control. Any such determinations by the Board may be made generally with respect to all Grantees, or may be made on a case-by-case basis with respect to particular Grantees.

Notwithstanding the foregoing, any transaction undertaken for the purpose of reincorporating the Company under the laws of another jurisdiction, if such transaction does not materially affect the beneficial ownership of the Company's Shares, such transaction shall not constitute a merger, consolidation, major acquisition of property for stock, separation, reorganization, liquidation, or Change of Control.

12.5. Prohibition on Repricing. Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Awards may not be amended to reduce the exercise price of outstanding Options or SARs or cancel outstanding Options or SARs in exchange for cash, other Awards or Options or SARs with an exercise price that is less than the exercise price of the original Options or SARs without stockholder approval.

Article 13. Withholding Tax

To the extent applicable under applicable tax laws, whenever under the Plan, Shares are to be delivered upon exercise or payment of an Award, or upon the lapse of Restrictions on an Award, or any other event with respect to rights and benefits hereunder (the exercise date, date such Restrictions lapse or such payment of any other benefit or right occurs hereinafter referred to as the "Tax Date"), the Company shall be entitled to require and may accommodate the Eligible Director's request if so requested, to satisfy all Federal and Cantonal withholding taxes, including Social Security taxes related thereto ("Tax Withholding"), by one or a combination of the following methods:

- (i) Payment of an amount in cash equal to the amount to be withheld;
- (ii) Requesting the Company to withhold from those Shares that would otherwise be received upon exercise of the Option or the SAR payable in Shares, upon the lapse of Restrictions on an Award, a number of Shares having a Fair Market Value on the Tax Date equal to the amount to be withheld; or
- (iii) Withholding from compensation otherwise due to the Eligible Director.

Any fractional share amount and any additional withholding not paid by the withholding or surrender of Shares must be paid in cash. If no timely election is made, the Grantee must deliver cash to satisfy all tax withholding requirements.

Article 14. Additional Provisions

- 14.1. Successors. All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise of all or substantially all of the business or assets of the Company.
- 14.2. Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine and vice-versa; the plural shall include the singular and the singular shall include the plural.
- 14.3. Severability. If any part of the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other part of the Plan. Any Section or part of a Section so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.
- 14.4. Requirements of Law. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or stock exchanges as may be required. Notwithstanding any provision of the Plan or any Award, Grantees shall not be entitled to exercise, or receive benefits under, any Award, and the Company shall not be obligated to deliver any Shares or other benefits to a Grantee, if such exercise

or delivery would constitute a violation by the Grantee or the Company of any applicable law or regulation.

14.5. Securities Law Compliance.

- (a) If the Board deems it necessary to comply with any applicable securities law, or the requirements of any stock exchange upon which Shares may be listed, the Board may impose any restriction on Shares acquired pursuant to Awards under the Plan as it may deem advisable. All Shares transferred under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Board may deem advisable under the rules, regulations and other requirements of the SEC, any stock exchange upon which Shares are then listed, and any applicable securities law. If so requested by the Company, the Grantee shall represent to the Company in writing that he or she will not sell or offer to sell any Shares unless a registration statement shall be in effect with respect to such Shares under the Securities Act of 1933 or unless he or she shall have furnished to the Company evidence satisfactory to the Company that such registration is not required.
- (b) If the Board determines that the exercise of, or delivery of benefits pursuant to, any Award would violate any applicable provision of securities laws or the listing requirements of any stock exchange upon which any of the Company's equity securities are then listed, then the Board may postpone any such exercise or delivery, as applicable, but the Company shall use all reasonable efforts to cause such exercise or delivery to comply with all such provisions at the earliest practicable date.

14.6. No Rights as a Shareholder. A Grantee shall not have any rights as a shareholder with respect to the Shares (other than Restricted Shares) which may be deliverable upon exercise or payment of such Award until such shares have been delivered to him or her. Restricted Shares, whether held by a Grantee or in escrow by the escrow agent, shall confer on the Grantee all rights of a shareholder of the Company, except as otherwise provided in the Plan or Award Agreement. Unless otherwise determined by the Board at the time of a grant of Restricted Shares, any cash dividends that become payable on Restricted Shares shall be deferred and, if the Board so determines, reinvested in additional Restricted Shares. Except as otherwise provided in an Award Agreement, any share dividends and deferred cash dividends issued with respect to Restricted Shares shall be subject to the same restrictions and other terms as apply to the Restricted Shares with respect to which such dividends are issued. The Board may provide for payment of interest on deferred cash dividends.

14.7. Compliance with Code Section 409A.

- (a) All Awards granted under the Plan are intended to comply with Section 409A of the Code and the Treasury regulations and guidance issued thereunder ("Section 409A") and that the Plan be interpreted and operated

consistent with such requirements of Section 409A in order to avoid the application of additive income taxes under Section 409A ("409A Penalties"). To the extent that an Award is subject to Section 409A, except as the Grantee and Company may otherwise determine in writing, all Awards shall be created in a manner that will meet the requirements of Section 409A, such that the Grantees of such Awards are not subject to the 409A Penalties.

- (b) To extent that a Grantee would otherwise be entitled to any payment under the Plan that (i) constitutes "deferred compensation" subject to Section 409A, (ii) is payable on account of the Grantee's "separation from service" (within the meaning of Section 409A), and (iii) that if paid during the six months beginning on the date of the Grantee's termination of employment would be subject the 409A Penalties because the Grantee is a "specified employee" of the Company (within the meaning of Section 409A and as determined from time to time by the Plan Committee), the payment will be paid to the Grantee on the earliest of the six-month anniversary of the termination of employment, a change in ownership or effective control of the Company (within the meaning of Section 409A) or the Grantee's death.
- (c) Notwithstanding any provision of the Plan to the contrary, the Plan shall not be amended in any manner that would cause (i) the Plan or any amounts or benefits payable hereunder to fail to comply with the requirements of Section 409A, to the extent applicable, or (ii) any amounts or benefits payable hereunder that are not subject to Section 409A to become subject thereto (unless they also are in compliance therewith), and the provisions of any purported amendment that may reasonably be expected to result in such non-compliance shall be of no force or effect with respect to the Plan.
- (d) Notwithstanding any other provision in the Plan, the Board, to the extent it deems necessary or advisable in its sole discretion, reserves the right, but shall not be required, to unilaterally amend or modify the Plan or any Award granted thereunder to reflect the intention that the Plan (and any Award) qualifies for exemption from or complies with Section 409A in a manner that as closely as practicable achieves the original intent of the Plan and with the least reduction, if any, in overall benefit to the Grantee to comply with Section 409A on a timely basis, which may be made on a retroactive basis, in accordance with regulations and other guidance issued under Section 409A; provided, however, that neither the Company, the Board, nor any of their officers or individual directors make any representation that the Plan or any Award shall be exempt from or comply with Section 409A and make no undertaking to preclude Section 409A from applying to the Plan or any Award.

- 14.8. Nature of Payments. Awards shall be special incentive payments to the Grantee and shall not be taken into account for any other Company compensatory plan, arrangement or contract relating to the Grantee except as such plan, arrangement or agreement shall otherwise expressly provide.

- 14.9. Military Service. Awards shall be administered in accordance with Section 414(u) of the Code and the Uniformed Services Employment and Reemployment Rights Act of 1994.
- 14.10. Data Protection. The Board and any other person or entity empowered by the Board to administer the Plan may process, store, transfer or disclose personal data of the Grantees to the extent required for the implementation and administration of the Plan. The Board and any other person or entity empowered by the Board to administer the Plan shall comply with any applicable data protection laws.
- 14.11. Governing Law. The Plan and the rights of any Grantee receiving an Award thereunder shall be construed and interpreted in accordance with and governed by the laws of the State of Kansas without giving effect to the principles of the conflict of laws to the contrary.

Annex to the Plan for Swiss based Grantees and Grantees subject to Swiss inheritance law

1. Article 11. shall be replaced with the following:

Each Grantee under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of the Grantee's death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Grantee, shall be in a form and procedure prescribed by the applicable Swiss inheritance law. Irrespective of any such designation, benefits remaining unpaid at the Grantee's death shall be paid to the Grantee's estate.

**GARMIN LTD.
2011 NON-EMPLOYEE DIRECTORS' EQUITY INCENTIVE PLAN
as amended and restated on February 15, 2019
RESTRICTED STOCK UNIT AWARD AGREEMENT**

To: _____ ("you" or the "Grantee")

Date of Grant: _____

NOTICE OF GRANT:

You have been granted restricted stock units ("RSUs") relating to the shares, CHF 0.10 par value per share, of Garmin Ltd. ("Shares"), subject to the terms and conditions of the Garmin Ltd. 2011 Non-Employee Directors' Equity Incentive Plan, as amended and restated on February 15, 2019 (the "Plan"), and the Award Agreement between you and Garmin Ltd. (the "Company"), attached as Exhibit A. Accordingly, provided you satisfy the conditions set forth in this Notice of Grant and Exhibit A, the Company agrees to pay you Shares as follows:

Number of RSUs Granted	Date Payable	Date Grantee Must Be a Director To Receive Award
_____ Shares	_____	_____

In order to fully understand your rights under the Plan (a copy of which is attached) and the Award Agreement (the "Award Agreement"), attached as Exhibit A, you are encouraged to read the Plan and this document carefully. Please refer to the Plan document for the definition of capitalized terms used in this Agreement.

By accepting these RSUs, you are also agreeing to be bound by Exhibit A.

GARMIN LTD.

By: _____
Name: Clifton A. Pemble
Title: President and CEO

Grantee:

Date: _____

EXHIBIT A

AGREEMENT:

In consideration of the mutual promises and covenants contained herein and other good and valuable consideration paid by the Grantee to the Company, the Grantee and the Company agree as follows:

1. Incorporation of Plan

All provisions of this Award Agreement and the rights of the Grantee hereunder are subject in all respects to the provisions of the Plan and the powers of the Board therein provided. Capitalized terms used in this Award Agreement but not defined shall have the meaning set forth in the Plan.

2. Grant of RSUs

As of the Date of Grant identified above, the Company grants to you, subject to the terms and conditions set forth herein and in the Plan, the opportunity to receive that number of unrestricted Shares identified below the heading "Number of RSUs Granted" on the Notice of Grant (the "RSUs"). Provided you are a member of the Company's Board of Directors (and at all times since the Date of Grant have been a member of the Company's Board of Directors) and unless your right to receive the RSUs has been forfeited pursuant to Section 3 below, then (subject to Section 11 below) you will be paid a number of unrestricted Shares equal to the number of RSUs on the date identified below the heading "Date Payable" on the Notice of Grant. If the date under "Date Payable" is a Saturday or Sunday or any other non-business day, then you will be paid the Shares payable on that date on the next business day.

3. Effect of Termination of Affiliation

If you have a Termination of Affiliation for any reason, the effect of such Termination of Affiliation on all or any portion of the RSUs is as provided below.

4. If you have a Termination of Affiliation on account of death, Disability, retirement on or after attaining Mandatory Retirement Age, a "Retirement" as defined below, or your removal by the Company other than for Cause (including without limitation the Company's decision not to slate you for reelection), your RSUs that were forfeitable immediately before such Termination of Affiliation, if any, shall thereupon become nonforfeitable and the Company shall, promptly settle all RSUs by delivery to you (or, after your death, to your personal representative or designated beneficiary) a number of unrestricted Shares equal to the aggregate number of your remaining RSUs. A "Retirement" for purposes of this Award Agreement means the Grantee's ceasing to be a member of the Company's Board of Directors other than for Cause after 5 years of service on the Board
5. If you have a Termination of Affiliation for Cause or for any reason other than under the circumstances described immediately above in Section 3(a) (including without limitation your failure to be reelected to the Company's Board of Directors, your voluntary resignation or your failure to run for reelection to the Company's Board of Directors), your RSUs, to the extent forfeitable immediately before such Termination of Affiliation, shall thereupon automatically be forfeited and you shall have no further rights under this Award Agreement.

6. Investment Intent

The Grantee agrees that the Shares acquired pursuant to the vesting of one or more tranches of RSUs shall be acquired for his/her own account for investment only and not with a view to, or for resale in connection with, any distribution or public offering thereof within the meaning of the Securities Act of 1933 (the "1933 Act") or other applicable securities laws. The Company may, but in no event shall be required to, bear any expenses of complying with the 1933 Act, other applicable securities laws or the rules and regulations of any national securities exchange or other regulatory authority in connection with the registration, qualification, or transfer, as the case may be, of this Award Agreement or any Shares acquired hereunder. The foregoing restrictions on the transfer of the Shares shall be inoperative if (a) the Company previously shall have been furnished with an opinion of counsel, satisfactory to it, to the effect that such transfer will not involve any violation of the 1933 Act and other applicable securities laws or (b) the Shares shall have been duly registered in compliance with the 1933 Act and other applicable state or federal securities laws. If this Award Agreement, or the Shares subject to this Award Agreement, are so registered under the 1933 Act, the Grantee agrees that he will not make a public offering of the said Shares except on a national securities exchange on which the shares of the Company are then listed.

7. Nontransferability of RSUs

No rights under this Award Agreement relating to the RSUs may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, including, unless specifically approved by the Company, any purported transfer to a current spouse or former spouse in connection with a legal separation or divorce proceeding. All rights with respect to the RSUs granted to the Grantee shall be available during his or her lifetime only to the Grantee.

8. Status of the Grantee

The Grantee shall not be deemed a shareholder of the Company with respect to any of the Shares subject to this Award Agreement until such time as the underlying Shares shall have been issued to him or her. The Company shall not be required to issue or transfer any Shares pursuant to this Award Agreement until all applicable requirements of law have been complied with and such Shares shall have been duly listed on any securities exchange on which the Shares may then be listed. Grantee (a) is not entitled to receive any dividends or dividend equivalents, whether such dividends would be paid in cash or in kind, or receive any other distributions made with respect to the RSUs and (b) does not have nor may he or she exercise any voting rights with respect to any of the RSUs, in both cases (a) and (b) above, unless and until the actual Shares underlying the RSUs have been delivered pursuant to this Award Agreement.

9. No Effect on Capital Structure

This Award Agreement shall not affect the right of the Company to reclassify, recapitalize or otherwise change its capital or debt structure or to merge, consolidate, convey any or all of its assets, dissolve, liquidate, windup, or otherwise reorganize.

10. Adjustments

Notwithstanding any provision herein to the contrary, in the event of any change in the number of outstanding Shares effected without receipt of consideration therefor by the Company, by reason of a merger, reorganization, consolidation, recapitalization, separation, liquidation, stock dividend, stock

split, share combination or other change in the corporate structure of the Company affecting the Shares, the aggregate number and class of Shares subject to this Award Agreement shall be automatically adjusted to accurately and equitably reflect the effect thereon of such change; provided, however, that any fractional share resulting from such adjustment shall be eliminated. In the event of a dispute concerning such adjustment, the decision of the Board shall be conclusive.

11. Amendments

This Award Agreement may be amended only by a writing executed by the Company and the Grantee which specifically states that it is amending this Award Agreement; provided that this Award Agreement is subject to the power of the Board to amend the Plan as provided therein. Except as otherwise provided in the Plan, no such amendment shall materially adversely affect the Grantee's rights under this Award Agreement without the Grantee's consent.

12. Board Authority

Any questions concerning the interpretation of this Award Agreement, any adjustments required to be made under Sections 9 or 10 of this Award Agreement, and any controversy which arises under this Award Agreement shall be settled by the Board in its sole discretion.

13. Withholding

To the extent applicable under applicable tax laws, whenever Shares are to be delivered to you upon payment of this Award (the date such Shares are delivered to you is hereinafter referred to as the "Tax Date"), the Company shall be entitled to require and may accommodate your request if so requested, to satisfy all Federal and Cantonal withholding taxes, including Social Security taxes related thereto, by one or a combination of the following methods:

14. (a) Your payment of an amount in cash equal to the amount to be withheld;
15. (b) Withholding from those Shares that would otherwise be delivered to you under the Award a number of Shares having a Fair Market Value on the Tax Date equal to the amount to be withheld; or
16. (c) Withholding from compensation otherwise due to you.

Any fractional share amount and any additional withholding not paid by the withholding or surrender of Shares must be paid in cash. If no timely election is made, the Grantee must deliver cash to satisfy all tax withholding requirements.

17. Notice

Whenever any notice is required or permitted hereunder, such notice must be given in writing by (a) personal delivery, or (b) expedited, recognized delivery service with proof of delivery, or (c) United States Mail, postage prepaid, certified mail, return receipt requested, or (d) telecopy or email (provided that the telecopy or email is confirmed). Any notice required or permitted to be delivered hereunder shall be deemed to be delivered on the date which it was personally delivered, sent to the intended addressee, or, whether actually received or not, on the third business day after it is deposited in the United States mail, certified or registered, postage prepaid, addressed to the person who is to receive it at the address which such person has theretofore specified by written notice delivered in

accordance herewith. The Company or the Grantee may change, at any time and from time to time, by written notice to the other, the address specified for receiving notices. Until changed in accordance herewith, the Company's address for receiving notices shall be Garmin Ltd., Attention: General Counsel, Mühlentalstrasse 2, 8200 Schaffhausen, Switzerland. Unless changed, the Grantee's address for receiving notices shall be the last known address of the Grantee on the Company's records. It shall be the Grantee's sole responsibility to notify the Company as to any change in his or her address. Such notification shall be made in accordance with this Section 12.

18. Severability

If any part of this Award Agreement is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any part of this Award Agreement not declared to be unlawful or invalid. Any part so declared unlawful or invalid shall, if possible, be construed in a manner which gives effect to the terms of such part to the fullest extent possible while remaining lawful and valid.

19. Binding Effect

This Award Agreement shall bind, and, except as specifically provided herein, shall inure to the benefit of the respective heirs, legal representatives, successors and assigns of the parties hereto.

20. Governing Law and Jurisdiction

This Award Agreement and the rights of all persons claiming hereunder shall be construed and determined in accordance with the laws of the State of Kansas without giving effect to the principles of the Conflict of Laws to the contrary. Except as otherwise provided by mandatory forum requirements of the applicable law, the courts of the State of Kansas shall have exclusive jurisdiction with regard to any disputes under the Plan. The Company shall retain, however, in addition the right to bring any claim in any other appropriate forum.

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.	Poland
Garmin Cluj SRL	Romania
Garmin, trgovina in servis, d.o.o.	Slovenia
Garmap (Pty) Ltd.	South Africa
Garmin Africa Holdings (Pty) Ltd.	South Africa
Garmin Southern Africa (Pty) Ltd.	South Africa
Garmin Korea Ltd.	South Korea
Garmin Iberia S.A.	Spain
Garmin Spain S.L.U.	Spain
Garmin Singapore Pte. Ltd	Singapore
Garmin Nordic Sweden AB	Sweden
Garmin Switzerland GmbH	Switzerland
Garmin Switzerland Distribution GmbH	Switzerland
Garmin Corporation	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.