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ANNUAL REPORT

of

GARMIN NORDIC SWEDEN AB

Corporate ID no 556698-0354

The Board of Directors and the Managing Director's annual report for the financial year 2021-01-01 – 2021-12-31

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Undertecknad styrelseledamot i Garmin Nordic Sweden AB intygar härmed, dels att denna kopia av årsredovisningen överensstämmer med orginalet, dels att resultat- och balansräkning fastställts på årsstämma den 2022-06-30

Stämman beslöt tillika godkänna styrelsens förslag till vinstdisposition.

Göteborg 2022-06-30

Jan-Åke Arenäs, verkställande direktör

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Garmin Nordic Sweden AB

Org. Nr 556698-0354

FÖRVALTNINGSBERÄTTELSE

Årsredovisningen är upprättad i svenska kronor, SEK.

Verksamheten

Bolaget bedriver handel med import och försäljning av navigationsutrustning inom marin, outdoor, fitness och telekom marknaden. Företagets säte är i Göteborg.

Beloppen i flerårsjämförelse visas i KSEK

Flerårsjämförelse

	2021	2020	2019	2018	2017
Nettoomsättning	576 311	510 045	449 384	359 234	355 958
Res. efter finansiella poster	21 235	15 161	11 215	9 750	7 709
Balansomslutning	274 942	207 781	217 268	188 625	120 026
Soliditet (%)	34,07	44,22	46,62	49,83	23,20
Avkastning på eget kapital (%)	22,67	13,69	11,48	16,00	25,19
Avkastning på totalt kapital (%)	7,74	7,14	5,53	6,33	6,84

* Definitioner av nyckeltal, se noter

Ägarförhållanden

Bolaget ägs av Garmin Nederland BV Org.nr 50832875. Säte i Eemnes, Nederländerna.

Väsentliga händelser under räkenskapsåret

Pandemin har varat under hela året och Garmin har lyckats göra fina resultat under rådande omständigheter. I princip hela personalen har utfört sina uppgifter från hemmet.

Automotive segmentet har drabbats negativt då restriktioner omöjliggjort utomlandsresor där Garmins produkter är ett tänkbart val för att finna rätt destination. Övriga segment som syftar till utomhusaktiviteter har i gengäld varit mycket lyckosamma. Fitness segmentet har vi sett en fortsatt tillväxt på främst smartklockor och träningsutrustning till cykel, Marin segmentet fortsätter ytterligare ett år med tillväxt.

Ett förvärv av samtliga aktier i Easyhunt AB har genomförts under året, uppköpet kommer på sikt att stärka Jakt/Outdoor segmentet.

Det fortsatta samarbetet i den Nordiska organisationen förstärker den Svenska verksamheten under 2021. Garmin fortsätter bygga sitt varumärke med ökad digital närvaro. Många effektiviseringar har gjorts under 2021 och kommer fortsätta förfinas under kommande år .

Framtida utveckling

Bolaget kommer under det närmsta året att fortsätta uppbyggnaden av varumärket på den svenska marknaden.

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Förändringar i Eget Kapital	Aktiekapital	Övrigt bundet eget kapital	Övrigt fritt eget kapital	Årets resultat	Summa fritt eget kapital
Belopp vid årets ingång	100 000	0	81 209 819	10 574 567	91 784 386
Resultatdisposition enl. beslut av årsstämma			10 574 567	-10 574 567	0
Utdelning till aktieägare			-15 000 000		-15 000 000
Årets vinst				16 775 396	16 775 396
Belopp vid årets utgång	100 000	0	76 784 386	16 775 396	93 559 782

Resultatdisposition

Förslag till disposition av bolagets vinst

Till årsstämmans förfogande står	
balanserad vinst	76 784 386
årets vinst	16 775 396
	93 559 782
Styrelsen föreslår att	
till aktieägarna utdelas	15 000 000
i ny räkning överföres	78 559 782

Förslag till beslut om vinstutdelning

Styrelsen föreslår att utdelning lämnas med 15 000 000 kr vilket motsvarar 15 000 kr per aktie.

Styrelsen föreslår att årsstämman bemyndigar styrelsen att besluta om betalningsdag.

Styrelsen anser att den föreslagna vinstutdelningen är försvarlig med hänsyn till de krav som verksamhetens art, omfattning och risker ställer på storleken av det egna kapitalet samt bolagets konsolideringsbehov, likviditet och ställning i övrigt.

Yttrandet ska ses mot bakgrund av den information som framgår av årsredovisningen. Företagsledningen planerar inga väsentliga förändringar av befintlig verksamhet såsom väsentliga investeringar, försäljningar eller avveckling.

Beträffande bolagets resultat och ställning i övrigt hänvisas till efterföljande resultat- och balansräkningar med tillhörande noter.

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Garmin Nordic Sweden AB

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RESULTATRÄKNING

Rörelsens intäkter m.m	**Not**	**2021-01-01 2021-12-31**	**2020-01-01 2020-12-31**
Nettoomsättning	3	576 310 685	510 044 853
Kostnad för sålda varor		-431 909 210	-374 676 750
Bruttoresultat		144 401 475	135 368 105
Rörelsens kostnader			
Försäljningskostnader	6,7	-96 226 611	-90 499 158
Administrationskostnader	4,5	-32 888 498	-29 714 999
		-129 115 109	-120 214 157
Rörelseresultat		15 286 365	15 153 948
Resultat från finansiella poster			
Resultat från andelar i dotterbolag	12	6 000 000	
Ränteintäkter		1 443	27 861
Räntekostnader och liknande resultatposter		-52 337	-21 122
		5 949 107	6 739
Resultat efter finansiella poster		21 235 472	15 160 687
Resultat före skatt		21 235 472	15 160 687
Skatt på årets resultat	8	-4 460 076	-4 586 120
Årets resultat		16 775 396	10 574 567

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BALANSRÄKNING

TILLGÅNGAR	**Not**	**2021-12-31**	**2020-12-31**
Anläggningstillgångar			
Immateriella anläggningstillgångar			
Goodwill	9	5 996 939	11 993 875
Summa immateriella anläggningstillgångar		**5 996 939**	**11 993 875**
Materiella anläggningstillgångar			
Inventarier, verktyg och installationer	10	2 303 116	1 162 856
Summa materiella anläggningstillgångar		**2 303 116**	**1 162 856**
Finansiella anläggningstillgångar			
Andelar i koncernföretag	11	116 878 892	78 177 000
Summa finansiella anläggningstillgångar		**116 878 892**	**78 177 000**
Summa anläggningstillgångar		**125 178 947**	**91 333 731**
Omsättningstillgångar			
Kortfristiga fordringar			
Kundfordringar		68 579 280	53 516 554
Fordringar hos koncernföretag		7 352 192	6 679 045
Övriga fordringar		0	1 457 439
Förutbetalda kostnader och upplupna intäkter	13	2 465 807	2 624 766
Summa kortfristiga fordringar		**78 397 280**	**64 277 804**
Kassa och bank			
Kassa och bank	16	71 365 630	52 169 224
Summa kassa och bank		**71 365 630**	**52 169 224**
Summa omsättningstillgångar		**149 762 909**	**116 447 028**
SUMMA TILLGÅNGAR		**274 941 857**	**207 780 759**

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BALANSRÄKNING

EGET KAPITAL OCH SKULDER	**Not**	**2021-12-31**	**2020-12-31**
Eget Kapital			
Bundet eget kapital			
Aktiekapital	14	100 000	100 000
Summa bundet eget kapital		100 000	100 000
Fritt eget kapital			
Balanserat resultat		76 784 386	81 209 819
Årets resultat		16 775 396	10 574 567
Summa fritt eget kapital		93 559 781	91 784 386
Summa eget kapital		93 659 781	91 884 386
Kortfristiga skulder			
Leverantörsskulder		5 958 653	2 933 743
Skulder till koncernföretag		147 097 490	84 444 079
Aktuell skatteskuld		558 905	962 570
Övriga skulder		11 789 139	7 555 841
Upplupna kostnader och förutbetalda intäkter	15	15 877 888	20 000 140
Summa kortfristiga skulder		181 282 075	115 896 373
SUMMA EGET KAPITAL OCH SKULDER		274 941 857	207 780 759

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KASSAFLÖDESANALYS

	Not	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Den löpande verksamheten			
Rörelseresultat		15 286 365	15 153 948
Justeringar för poster som inte ingår i kassaflödet	7	6 374 702	6 240 550
Erhållen ränta m.m.		1 443	27 861
Erlagd ränta		-52 337	-21 122
Betald inkomstskatt		-4 863 741	-4 597 294
Kassaflöde från den löpande verksamheten före förändringar av rörelsekapital		16 746 432	16 803 943
Kassaflöde från förändringar av rörelsekapital			
Minskning(+)/ökning(-) av kundfordringar		-15 062 726	25 229 226
Minskning(+)/ökning(-) av fordringar		943 251	7 669 548
Minskning(-)/ökning(+) av leverantörsskulder		3 024 910	-1 816 410
Minskning(-)/ökning(+) av kortfristiga skulder		62 764 457	1 765 984
Kassaflöde från den löpande verksamheten		68 416 324	49 652 291
Investeringsverksamheten			
Förvärv av inventarier, verktyg och installationer	10	-1 518 026	-733 276
Förvärv av andelar i dotterbolag	11	-38 701 892	0
Återbetalning av lån från utomstående		0	22 063
Kassaflöde från investeringsverksamheten		-40 219 918	-711 213
Finansieringsverksamheten			
Utbetald utdelning		-15 000 000	-20 000 000
Erhållen utdelning		6 000 000	
Kassaflöde från finansieringsverksamheten		-9 000 000	-20 000 000
Förändring av likvida medel		19 196 406	28 941 078
Likvida medel vid årets början		52 169 224	23 228 146
Likvida medel vid årets slut		71 365 630	52 169 224

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NOTER

Not 1 Redovisnings- och värderingsprinciper

Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning.

Principerna är oförändrade jämfört med föregående år.

Fordringar

Fordringar har upptagits till de belopp varmed de beräknas inflyta.

Övriga tillgångar, avsättningar och skulder

Övriga tillgångar,avsättningar och skulder har värderats till anskaffningsvärden om inget annat anges nedan.

Intäktsredovisning

Inkomsten redovisas till det verkliga värdet av vad som erhållits eller kommer att erhållas. Företaget redovisar därför inkomsten till nominellt värde (fakturabelopp) om ersättningen erhålls i likvida medel direkt vid leverans. Avdrag görs för lämnade rabatter.

Varuförsäljning

Försäljning av varor redovisas när företaget till köparen har överfört de väsentliga risker och förmåner som är förknippade med ägandet, normalt när kunden har varorna i sin besittning.

Materiella anläggningstillgångar

Materiella anläggningstillgångar redovisas till anskaffningsvärde med avdrag för ackumulerade avskrivningar och eventuella nedskrivningar. Tillgångarna skrivs av linjärt över tillgångarnas bedömda nyttjandeperiod. Nyttjandeperioden omprövas per varje balansdag. Pågående projekt skrivs inte av utan nedskrivningsprövas årligen. Följande nyttjandeperioder tilämpas:

	Antal år:
Inventarier, verktyg och installationer	3,5

Immateriella anläggningstillgångar

Immateriella anläggningstillgångar redovisas till anskaffningsvärde med avdrag för ackumulerade avskrivningar och eventuella nedskrivningar. Tillgångarna skrivs av linjärt över tillgångarnas bedömda nyttjandeperiod. Nyttjandeperioden omprövas per varje balansdag. Pågående projekt skrivs inte av utan nedskrivningsprövas årligen. Följande nyttjandeperioder tillämpas:

	Antal år:
Goodwill	5-10 år

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Finansiella instrument

Finansiella instrument värderas utifrån anskaffningsvärde.

En finansiell tillgång eller finansiell skuld redovisas i balansräkningen enligt instrumentets avtalsenliga villkor. Finansiella tillgångar och finansiella skulder redovisas när företaget blir part i det finansiella instrumentets avtalsmässiga villkor. En finansiell tillgång bokas bort från balansräkningen när den avtalsenliga rätten till kassaflödet från tillgången upphör, regleras eller när koncernen förlorar kontrollen över den. En finansiell skuld, eller del av finansiell skuld, bokas bort från balansräkningen när den avtalade förpliktelsen fullgörs eller på annat sätt upphör.

Vid varje balansdag analyserar koncernen de redovisade värdena för finansiella anläggningstillgångar för att fastställa om det finns indikation på att dessa tillgångar minskat i värde. Exempel på sådana indikationer är finansiella svårigheter hos låntagaren, avtalsbrott eller om det är sannolikt att låntagaren kommer att försättas i konkurs.

Kundfordringar värderas till anskaffningsvärde med avdrag för befarade förluster. Leverantörsskulder och andra icke-räntebärande skulder värderas till nominella belopp.

Leasing

Ett finansiellt leasingavtal är ett leasingavtal enligt vilket de ekonomiska risker och fördelar som är förknippade med att äga en tillgång i allt väsentligt överförs från leasegivaren till leasetagaren. Ett operationellt leasingavtal är ett leasingavtal som inte är ett finansiellt leasingavtal.

Samtliga leasingavtal kostnadsförs linjärt över leasingperioden.

Inkomstskatt

Aktuell skatt är inkomstskatt för innevarande räkenskapsår som avser årets skattepliktiga resultat och den del av tidigare räkenskapsår inkomstskatt som ännu inte har redovisats.

Aktuell skatt värderas till det sannolika beloppet enligt de skattesatser och skatteregler som gäller på balansdagen.

Uppskjuten skatt är inkomstskatt för skattepliktigt resultat avseende framtida räkenskapsår till följd av tidigare transaktioner eller händelser.

Uppskjuten skatt beräknas på temporära skillnader. En temporär skillnad finns när det redovisade värdet på en tillgång eller skuld skiljer sig från det skattemässiga värdet. Temporära skillnader beaktas ej i skillnader hänförliga till investeringar i dotterföretag, filialer, intresseföretag eller joint venture om företaget kan styra tidpunkten för återföring av de temporära skillnaderna och det inte är uppenbart att den temporära skillnaden kommer att återföras inom en överskådlig framtid. Skillnader som härrör från den första redovisningen av goodwill eller vid den första redovisningen av en tillgång eller skuld såvida inte den hänförliga transaktionen är ett rörelseförvärv eller påverkar skatt eller redovisat resultat utgör inte heller temporära skillnader.

Uppskjuten skattefordran avseende underskottsavdrag eller andra framtida skattemässiga avdrag redovisas i den omfattning det är sannolikt att avdragen kan avräknas mot framtida skattemässiga överskott.

Avsättningar

Avsättningar redovisas när det finns en legal eller informell förpliktelse till följd av en händelse, det är sannolikt att ett utflöde av resurser kommer att krävas för att reglera förpliktelsen och

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beloppen kan uppskattas på ett tillförlitligt sätt. Tidpunkten eller beloppet för utflödet kan fortfarande vara osäker.

Ersättningar till anställda

Ersättningar till anställda i form av löner, bonus, betald semester, betald sjukfrånvaro m.m samt pensioner redovisas i takt med intjänandet. Beträffande pensioner och andra ersättningar efter avslutad anställning klassificeras dessa som avgiftsbestämda eller förmånsbestämda pensionsplaner. Bolaget har endast avgiftsbestämda pensionsplaner. Det finns inga övriga långfristiga ersättningar till anställda.

Pensioner

Avgiftsbestämda pensionsplaner

För avgiftsbestämda planer betalar bolaget fastställda avgifter till ett annat företag, normalt ett försäkringsföretag och har ingen förpliktelse att betala ytterligare avgifter. Bolagets resultat belastas för kostnader i takt med att förmånerna intjänas vilket normalt sammanfaller med tidpunkten för när premier erläggs.

Ersättningar vid uppsägning

Ersättningar vid uppsägningar, i den omfattning ersättningen inte ger företaget några framtida ekonomiska fördelar, redovisas som en skuld och en kostnad när företaget har en legal eller informell förpliktelse att lämna ersättningar till anställda som avslutar sin anställning.

Fordringar och skulder i utländsk valuta

Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs. Kursvinster och kursförluster på rörelsefordringar och rörelseskulder redovisas i rörelseresultatet mellan kursvinster och kursförluster på finansiella fordringar och skulder redovisas som finansiella poster.

Kassaflödesanalys

Kassaflödesanalys visar bolagets förändringar av likvida medel under räkenskapsåret. Kassaflödesanalysen har upprättats enligt den indirekta metoden. Det redovisade kassaflödet omfattar endast transaktioner som medfört in- och utbetalningar.

Not 2 Uppskattningar och bedömningar

Uppskattningar och bedömningar har gjorts vid upprättande av de finansiella rapporterna. Uppskattningar om framtiden har baserat sig på historisk erfarenhet och andra faktorer såsom förväntningar beträffande framtida händelser och utfall.

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Not 3 Inköp och försäljning inom koncernen	2021	2020
Andel av försäljningen som avser koncernföretag	5%	5%
Andel av inköpen som avser koncernföretag	92%	90%

Not 4 Leasingavtal - Operationell leasing leasetagare	2021	2020
Under året har företagets leasingavgifter uppgått till	6 419 203	5 862 555
Framtida minimileasingsavgifter för icke uppsägningsbara leasingavtal förfaller till betalning enligt följande:		
Inom 1 år	6 340 482	5 679 508
Mellan 2 till 5 år	24 145 920	12 618 355
	30 486 402	18 297 863

Not 5 Ersättning till Revisorer	2021	2020
Ernst & Young AB		
Revisionsuppdrag	166 700	92 000
Övriga tjänster		0
BDO Göteborg KB		
Revisionsuppdrag	0	133 000
Övriga tjänster	0	2 000
	166 700	227 000

Med revisionsuppdrag avses revisors arbete för den lagstadgade revisionen och med revisionsverksamhet olika typer av kvalitetssäkringstjänster.
Övriga tjänster är sådant som inte ingår i revisionsuppdrag, revisionsverksamhet eller skatterådgivning

Not 6 Personal	2021	2020
Medeltalet anställda bygger på av bolaget betalda närvarotimmar relaterade till en normal arbetstid		
Medeltal anställda har varit	71	72
varav kvinnor	17	17
varav män	54	55
Löner, ersättningar m.m		
Löner, ersättningar, sociala kostnader och pensionskostnader har utgått med följande belopp:		
Styrelsen & VD		
Löner och ersättningar	3 713 854	3 327 229
Pensionskostnader	563 316	528 524
	4 277 170	3 855 753
Övriga anställda		
Löner och ersättningar	49 387 474	46 922 262
Pensionskostnader	5 709 121	5 262 221
	55 096 595	52 184 483
Sociala kostnader	18 685 499	18 018 035
Summa styrelse & Övriga	78 059 263	74 058 271

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Not 7 Avskrivningar m.m. på materiella och immateriella anläggningstillgångar fördelade på funktion

	2021	2020
Försäljningskostnader	293 307	191 217
Administrationskostnader	6 081 395	6 049 333
	6 374 702	6 240 550

Not 8 Skatt på årets resultat

	2021		2020	
Aktuell Skatt	-4 460 076		-4 586 120	
	-4 460 076		-4 586 120	
Avstämning av effektiv skatt				
Resultat före skatt	21 235 472		15 160 687	
Skattekostnad 20,6%	-4 374 507		-3 244 387	
Skatteeffekt av:				
Ej avdragsgilla kostnader	-1 321 569		-1 342 609	
Ej skattepliktiga intäkter	1 236 000		876	
Summa	-4 460 076		-4 586 120	
Redovisad effektiv skatt	21,00%	-4 460 076	30,25%	-4 586 120

Not 9 Goodwill

	2021-12-31	2020-12-31
Ingående anskaffningsvärde	59 969 363	59 969 363
Utgående ackumulerade anskaffningsvärde	59 969 363	59 969 363
Ingående avskrivningar	-47 975 488	-41 978 552
Årets avskrivningar	-5 996 936	-5 996 936
Utgående ackumulerade avskrivningar	-53 972 424	-47 975 488
Utgående redovisat värde	5 996 939	11 993 875

Not 10 Inventarier, verktyg och installationer

	2021-12-31	2020-12-31
Ingående anskaffningsvärde	3 477 331	2 744 055
Inköp	1 518 026	733 276
Utgående ackumulerade anskaffningsvärden	4 995 357	3 477 331
Ingående avskrivningar	-2 314 475	-2 070 861
Årets avskrivningar	-377 766	-243 614
Utgående ackumulerade avskrivningar	-2 692 241	-2 314 475
Utgående redovisat värde	2 303 116	1 162 856

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Not 11 Andelar i koncernföretag

Företag Organisationsnummer	Säte	Antal/Kapitalandel %	2021-12-31 Redovisat värde	2020-12-31 Redovisat värde
Garmin Sweden Technologies AB 556612-7972	Uddevalla	84 148 / 100%	78 177 000	78 177 000
Easyhunt AB 556745-7063	Bromma	1 047 619 / 100%	38 701 892	0

Uppgifter om eget kapital och resultat	Eget Kapital	Resultat
Garmin Sweden Technologies AB	27 112 499	5 451 210
Easyhunt AB	3 846 432	-1 913 653

Garmin Sweden Technologies AB		
Ingående anskaffningsvärde	78 177 000	78 177 000
Utgående ackumulerade anskaffningsvärden	78 177 000	78 177 000
Utgående redovisat värde	78 177 000	78 177 000

Easyhunt AB		
Ingående anskaffningsvärde	38 701 892	0
Utgående ackumulerade anskaffningsvärden	38 701 892	0
Utgående redovisat värde	38 701 892	0
	116 878 892	**78 177 000**

Not 12 Resultat från andelar i Dotterbolag

	2021-12-31	2020-12-31
Garmin Sweden Technologies AB	6 000 000	0
Utgående redovisat värde	6 000 000	0

Not 13 Förutbetalda kostnader och upplupna intäkter

	2021-12-31	2020-12-31
Marknadskostnader	829 793	1 317 036
Hyra & Leasingkostnader	1 050 018	787 631
Pensions & Försäkringskostnader	585 397	520 099
	2 465 207	2 624 766

Not 14 Upplysningar om aktiekapital

	Antal aktier	Kvotvärde per aktie
Antal/värde vid årets ingång	1000	100
Antal/värde vid årets utgång	1000	100

Not 15 Upplupna kostnader och förutbetalda intäkter

	2021-12-31	2020-12-31
Semesterlöneskuld	7 160 798	8 943 097
Sociala Avgifter	2 242 179	2 219 017
Övriga poster	6 474 911	8 838 026
	15 877 888	20 000 140

Not 16 Ställda säkerheter

	2021-12-31	2020-12-31
Spärrade bankmedel avseende köp av Easyhunt AB	4 323 086	0
	4 323 086	0

Not 17 Väsentliga händelser efter räkenskapsårets slut

Inga väsentliga händelser har inträffat efter balansdagen.

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Not 18 Koncernförhållanden

Bolaget är helägt dotterbolag till Garmin Nederland BV Org.Nr 50832875. Säte Eemnes, Nederländerna.
Med koncernföretag menas i denna årsredovisning företag direkt eller indirekt ägda av Garmin Group.
Bolaget är moderbolag, men med stöd av ÅRL 7 kap 2 § upprättas inte någon koncernredovisning.
Övergripande koncernredovisning upprättas av: Garmin Ltd, org nr 115.417.242, Schaffhausen, Schweiz

Not 19 Definition av nyckeltal

Soliditet
Justerat eget kapital i procent av balansomslutning

Avkastning på eget kapital
Resultat efter finansiella poster i procent av genomsnittligt justerat eget kapital

Avkastning på totalt kapital
Rörelseresultat med tillägg för finansiella intäkter, i procent av genomsnittlig balansomslutning

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Garmin Nordic Sweden AB

Org. Nr 556698-0354

Billdal den 27/6 2022

Andrew Russell Etkind

Sean Biddlecombe,

Jan-Åke Arenäs
Verkställdande direktör

Magnus Gahlin

Vår revisionsberättelse har lämnats den 29/6 2022

Ernst & Young AB

Inger Sjöberg

Auktoriserad revisor

Fotokopians överensstämmelse
med originalet intygas:

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Garmin Nordic Sweden AB

Org. Nr 556698-0354

Billdal den

Andrew Russell Etkind

Sean Biddlecombe

Jan-Åke Arenäs
Verkställdande direktör

Magnus Gahlin

Vår revisionsberättelse har lämnats den

Ernst & Young AB

Inger Sjöberg

Auktoriserad revisor

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Building a better working world

Revisionsberättelse

Till bolagsstämman i Garmin Nordic Sweden AB, org.nr 556698-0354

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Garmin Nordic Sweden AB för räkenskapsåret 2021.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Garmin Nordic Sweden ABs finansiella ställning per den 31 december 2021 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Garmin Nordic Sweden AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om att årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

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Building a better working world

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för Garmin Nordic Sweden AB för räkenskapsåret 2021 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Garmin Nordic Sweden AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat styrelsens motiverade yttrande samt ett urval av underlagen för detta för att kunna bedöma om förslaget är förenligt med aktiebolagslagen.

Göteborg den 29 juni 2022

Ernst & Young AB

Inger Sjöberg
Auktoriserad revisor

Fotokopians överensstämmelse
med originalet intygas:

A member firm of Ernst & Young Global Limited

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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 25, 2021

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 001-41118

GARMIN LTD.

(Exact name of registrant as specified in its charter)

GARMIN®

Switzerland (State or other jurisdiction of incorporation or organization)	**98-0229227** (I.R.S. Employer Identification No.)
Mühlentalstrasse 2 **8200 Schaffhausen** **Switzerland** (Address of principal executive offices)	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)	**GRMN** (Trading Symbol)	**New York Stock Exchange** (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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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 26, 2021 (based on the closing price of the registrant's common shares on the Nasdaq Stock Market for June 25, 2021) was approximately $21,920,000,000.

Number of shares outstanding of the registrant's common shares as of February 11, 2022:

Registered Shares, CHF 0.10 par value – 192,787,080 (excluding 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	**Part of Form 10-K into which Incorporated**
Company's Definitive Proxy Statement for the 2022 Annual Meeting of Shareholders which will be filed no later than 120 days after December 25, 2021.	Part III

Garmin Ltd.

2021 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

Company Overview

For more than 30 years, Garmin Ltd. and subsidiaries (collectively, the "Company" or "Garmin") have pioneered new wireless devices, many of which feature location technology such as Global Positioning System (GPS), and applications that are designed for people who live an active lifestyle. Garmin serves five primary markets, fitness, outdoor, aviation, marine, and auto, and we design, develop, manufacture, market, and distribute a diverse family of hand-held, wearable, portable, and fixed-mount GPS-enabled products and other navigation, communications, sensor-based and information products for these markets. Since the inception of its business, Garmin has delivered over 251 million products, which included more than 16 million products delivered during fiscal 2021.

Available Information

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 a website (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 or in any other report or document we file with the SEC, and any references to our website are intended to be inactive textual references only.

This discussion of Garmin 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.

Products

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

Many of the Company's products utilize Global Positioning System (GPS) and other global navigation satellite systems (GNSS) receivers to support product features such as navigation, global positioning, and tracking. GPS is a United States owned satellite network constellation that supports global positioning, communication, and navigation, providing precise geographic location and related data to both commercial and government GPS receivers. Access to and use of the GPS systems commercial signal bands is provided free of charge.

In addition to GPS, Garmin products utilize other global navigation satellite systems (GNSS) including the Russian Global Navigation Satellite System (GLONASS), the European Union Galileo system (Galileo), and the Chinese BeiDou Navigation Satellite System (BDS), and satellite based augmentation systems (SBAS) including the U.S. Wide Area Augmentation System (WAAS), the Japanese MTSAT-based Satellite Augmentation System (MSAS) and Quasi-Zenith Satellite System (QZSS), and the European Geostationary Navigation Overlay Service (EGNOS) aviation Safety of Life (SoL) service.

Some of Garmin's products utilize a combination of global navigation satellite systems to improve navigational fix, which results in improved accuracy.

On a subscription basis, certain Garmin products offer access to private satellite networks such as the Iridium satellite network, a synchronized constellation of 66 low Earth orbit (LEO) satellites offering global data communication coverage. Iridium's use of this constellation gives it the ability to span the entire globe, offering 100 percent coverage worldwide to enable reliable satellite-based communication.

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Fitness

Garmin offers a broad range of products designed for use in health, wellness, and fitness activities. Garmin currently offers the following product categories within the Fitness segment to consumers around the world:

- *Running and Multi-sport Watches:* Garmin running and multi-sport watches are offered under the Forerunner® product series. The Forerunner series offers GPS-enabled watches with features unique to each model. Depending on the model, features include wrist-based heart rate monitoring, wrist-based pulse oximeter, music storage capabilities, mapping capabilities, LTE Connectivity, and Garmin Pay™ contactless payment.

- *Cycling Products:* Garmin cycling products include cycling computers, power meters, bike radars, and smart lights. Additionally, Garmin offers Tacx® indoor training equipment including smart and basic trainers, and a smart bike.

- *Activity Tracking and Smartwatch Devices:* Garmin offers a wide range of activity tracking devices and smartwatch devices. The Garmin product offerings include activity tracking fitness bands, GPS-enabled smartwatches, and fashion-forward hybrid smartwatches with analog style displays. The activity tracking and smartwatch devices offered by Garmin are the vívomove® series, vívoactive® series, vívosmart® series, vívofit® series, Venu® series, and Lily™ series. Each series of activity tracking and smartwatch devices offered has unique features, all to enhance and promote healthy and active lifestyles. Features of the activity tracking and smartwatch devices, depending on the series and model, include Garmin Pay, music storage capabilities, and 24/7 health monitoring.

- *Fitness and Cycling Accessories:* Garmin offers a wide range of fitness and cycling accessories including chest strap heart rate monitors, cycling speed and cadence sensors, and smart scales.

- *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 applications 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, golf device, or outdoor handheld.

Outdoor

Garmin offers a broad range of products designed for use in outdoor activities. Garmin currently offers the following product categories within the Outdoor segment to consumers around the world:

- *Adventure Watches:* Garmin adventure watches include the fēnix® series, Instinct® series, tactix® series, the Enduro™ series, the Descent™ series, and the MARQ® collection. The fēnix series offers premium multisport smartwatches with features such as wrist-based biometrics, music storage capabilities, preloaded full-color purpose-built adventure mapping of topography, ski resorts, and golf courses, Garmin Pay™, and solar charging, depending on model. The Instinct series offers a rugged and reliable outdoor GPS smartwatch with built-in sports apps, heart rate sensor, smart connectivity, wellness data, and solar charging, depending on model. The tactix series provides preloaded full-color topographical maps and tactical-inspired features. The Enduro™ series offers a Power Glass™ solar charging lens that extends battery life and advanced training features for extreme endurance athletes. The Descent series are watch style dive computers that offer divers GPS navigation, multiple dive modes, support for up to six gasses, as well as integrated air pressure monitoring. The MARQ series is a collection of luxury smart tool watches with premium materials and features unique to each watch.

- *Outdoor Handhelds:* Garmin offers outdoor handhelds under the Rino®, Montana®, eTrex®, GPSMAP®, Foretrex®, and inReach® product lines. Handhelds range from basic waypoints navigation capabilities to advanced color touchscreen devices offering barometric altimeter, 3-axis compass, camera, preloaded maps, wi-fi and smartphone connectivity, two-way satellite communication and other features. Each series of products is designed to serve unique niche markets. Handhelds with inReach include global satellite technology which, when combined with an active service plan, offers 2-way text messaging, S.O.S. capabilities and weather forecasts while anywhere in the world.

- *Golf Devices and Mobile App:* Garmin golf devices are offered under the Approach® product line. The Approach series includes handhelds, wearables, club sensors, launch monitors, golf simulators, and laser ranging devices. Over 42,000 preloaded worldwide golf courses are available to be utilized on certain Garmin golf devices. Handheld and wearable golf devices provide yardage distances to the front, back, and middle of the green. In addition to course maps, the Approach R10 portable launch monitor utilizes radar to provide swing metrics including estimated carry and roll, club head speed, ball speed, smash factor, and swing tempo, as well as the ability to play a simulated round of any of our 42,000 worldwide mapped courses when paired with the Garmin Golf™ mobile app. The mobile app also offers scoring, shot tracking, and performance tracking features, in addition to the Home Tee Hero virtual round simulator for subscribers.

- *Dog Tracking and Training Devices*: Garmin offers a variety of dog tracking and training devices, including those under the Alpha®, PRO, BarkLimiter™, and Delta® product lines.

Aviation

Garmin designs, manufactures, and markets a wide range of innovative aircraft avionics solutions to the broad and diverse aviation sector. Avionics are sold directly into original equipment manufacturer (OEM) applications as well as through Garmin's worldwide dealer network for retrofit installations on existing aircraft.

Garmin has developed growth-minded products and technologies serving general aviation, business aviation, rotorcraft, and experimental/light sport markets. Our solutions are available for all aircraft categories and classes; from small piston and electric-powered general aviation aircraft, to large business jet aircraft, as well as a wide-ranging variety of helicopters serving critical public service and oil and gas missions, to name a few.

Garmin also provides innovative products and software-as-a-service solutions to other growth markets such as commercial air-carrier, military and defense, electric aircraft, and Advanced Air Mobility / eVTOL. By offering products such as Commercial Off-The-Shelf (COTS) and mission-optimized solutions to military and defense contractors/customers, and products tested and optimized for high duty cycle commercial aviation operations, Garmin is emerging as a strong competitor in these rapidly evolving business spaces.

Garmin currently offers the following products, systems, and services to the global aviation market:

- *Integrated Flight Decks:* Known for defining the integrated flight deck (IFD) space in general aviation and light business aviation applications, Garmin offers OEM and retrofit IFD systems scaled for any size aircraft and rotorcraft, featuring communication and navigation, weather information, terrain and traffic awareness and avoidance, aircraft performance, and automated safety solutions.

- *Electronic Flight Displays and Instrumentation:* Garmin flight display and instrument solutions can serve as primary or back-up systems, which also provide a wealth of valuable information in the cockpit, dramatically increasing situational awareness and capability.

- *Navigation and Communication Products:* Garmin offers a wide range of integrated and stand-alone GPS navigation and very high frequency (VHF) radio communication products, with a variety of capabilities, available for all market segments.

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- *Automatic Flight Control Systems and Safety-Enhancing Technologies:* Garmin offers scalable flight control systems with unique integrated safety features for aircraft and rotorcraft. Our Autopilots, and Autonomí™ safety-enhancing solutions cover a wide spectrum of aircraft, from large-cabin business jets and helicopters, to light general aviation aircraft. Garmin's award-winning Autoland system will autonomously land the aircraft in the event the pilot is not able to do so, and Smart Glide™ will assist a pilot to get to the nearest airport in the event of the loss of engine power. We also offer an innovative smart rudder bias system that can help the pilot maintain control of a twin-engine aircraft in the event of an engine failure.

- *Audio Control Systems:* Garmin produces a broad array of cutting-edge audio systems, including panel-mount and remote-mounted units, incorporating features such as Bluetooth connectivity, voice command technology, and integrated intercoms.

- *Engine Indication Systems:* Garmin offers a variety of advanced engine indication systems for piston and turbine-powered aircraft with comprehensive data-logging capabilities as well as wireless data offloading, cloud storage and analysis capability through our flyGarmin.com online services portal.

- *Traffic Awareness and Avoidance Solutions:* Garmin offers an array of traffic advisory and collision avoidance systems, including TAS and TCAS / ACAS solutions, with applications in all types of aircraft.

- *ADS-B and Transponders:* Garmin offers a full lineup of ADS-B and transponder solutions, including ADS-B "Out" compliant solutions as well as ADS-B "In" and Bluetooth capable units that allow pilots to connect to their mobile device to display ADS-B traffic and weather.

- *Weather Information and Avoidance Solutions:* Garmin offers multiple weather solutions, including onboard Doppler digital radar products, along with satellite-based SiriusXM, ground-based ADS-B, as well as Garmin Connext® global satellite weather options.

- *Datalink and Connectivity:* Garmin datalink and connectivity solutions allow pilots to download global weather data, communication via text/voice, as well as select mobile apps to transfer flight plans, manage database subscriptions, and stream weather and traffic data from installed avionics solutions.

- *Portable GPS Navigators and Wearables:* Garmin offers portable GPS navigators, smartwatches for pilots, satellite communicators, and portable traffic and weather solutions, providing pilots tools they can take with them from aircraft to aircraft.

- *Services:* Garmin offers a variety of services products to the aviation market. Web and mobile app-based products offered via FltPlan.com and our Garmin Pilot™ electronic flight bag application, help pilots plan, file, fly, and log flights and offer a wealth of information across all phases of flight. Business and commercial aviation customers also benefit from our safety management system, runway analysis and performance data, weight and balance, obstacle clearance, load planning, and navigation database solutions. Garmin continues to provide industry-leading product support, and offers a wide selection of databases, training products, extended warranties, and subscription services for all aviation segments.

Marine

Garmin is a leading manufacturer of recreational marine electronics and offers a broad range of products. Garmin currently offers the following product categories within the Marine segment to consumers around the world:

- *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 and include wireless connectivity to the ActiveCaptain® mobile app.

- *Cartography*: Garmin is a premier supplier of cartography for the recreational marine market. Including the Garmin-owned Navionics® branded charting products, Garmin is a leading supplier of recreational marine content for most major chartplotters and MFDs on the market.

- *Fishfinders:* Garmin offers an advanced line of fishfinders, the Striker™ series, which incorporates GPS technology enabling Garmin Quickdraw™ Contours, and wireless features through the ActiveCaptain and StrikerCast mobile apps.

- *SONAR:* Garmin also offers the Panoptix™ all seeing sonar smart transducer line. Panoptix LiveScope™ provides real-time, high-resolution images that can be seen in downward, perspective, and forward-looking views for locating the fish and seeing what is coming before you get there. The Panoptix line also offers detailed 3D underwater views of fish and structure under your boat. Garmin's CHIRP "black-box" sounders and "smart transducers" interface with Garmin MFDs to enhance their utility by providing the deep-water sounders and fishfinder functions in a remote mounted package.

- *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 enhanced integration with Volvo Penta and Yamaha propulsion systems. Garmin has also introduced steer-by-wire autopilot capabilities for various types and manufacturers' steering systems.

- *RADAR:* Garmin offers high-tech solid state Fantom™ radar with MotionScope™ Doppler technology, lowering system power consumption and increasing reliability, while greatly improving situational awareness of the captain. Fantom radars are available in both radome and open array radar products with compatibility to any network-compatible Garmin chartplotter. Garmin also offers a full line of magnetron radars up to 25kW of transmit power.

- *Instruments*: Garmin offers NMEA 2000 and NMEA 0183 compliant instrument displays and sensors that show data from multiple remote sources on one screen.

- *VHF Communication Radios:* Garmin offers a full line-up of marine VHF radios and Automatic Identification System (AIS) transceivers with the latest feature sets including integrated GPS receivers for the communication needs of all types of mariners. Garmin radios are NMEA 2000 compatible and offer multi-station support, and monitor all AIS channels.

- *Handhelds and Wearable Devices:* Garmin offers the quatix® series wearable, GPS-enabled smartwatches designed for mariners, which include marine features for navigation, sailing, stereo control, and autopilot functions. Garmin also offers floating marine GPS handhelds with wireless data transfer between compatible units and preloaded cartography. Some handhelds contain built-in InReach® satellite communication and support Connect IQ™ applications.

- *Sailing:* Garmin has integrated many basic and advanced sailing features into our MFD and instrument systems. These Garmin 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 Garmin wearables.

- *Digital Switching:* Garmin offers digital switching products under the EmpirBus™ product line. The Garmin 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. The system features fully customizable graphics and user interface that can be controlled through Garmin's marine multi-function displays and RV OEM products.

- *Trolling Motors:* Garmin offers the Force® Trolling Motor, a powerful, efficient scissor-lift style trolling motor with built-in CHIRP and Ultra High-Definition ClearVü™ and SideVü™ sonar. The Force product line also connects wirelessly to Garmin chartplotters/MFDs to provide navigation, autopilot, and anchor lock integration.

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Auto

Garmin designs and develops products for use in the auto market that are offered to customers around the world.

Consumer Auto

- *Personal Navigation Devices (PNDs):* Garmin is a leading manufacturer of PNDs, which include specialized features dedicated to the following vehicle and driver needs:
  - *Auto:* The Drive series offers traditional PNDs for a wide range of consumers.
  - *Motorcycle:* The zūmo® series offers motorcycle-specific features.
  - *Truck:* The dēzl™ series offers over-the-road trucking features.
  - *RV:* The RV series offers features specific to the RV enthusiast.
  - *Offroad:* Overlander® and Tread® are rugged, all-terrain navigators with mapping specific for off-road guidance.
  - *Motorsports:* The Garmin Catalyst™ is an industry-first racing coach and driving performance optimizer.
- *Camera:* The Garmin Dash Cam™ series offers GPS-enabled dash cams that provide high-quality video recording, automatic saving of video footage with G-sensor incident detection, and forward collision and lane departure warnings. Dash cams are offered as compact, standalone cameras that can be mounted to a car windshield. Garmin also offers wireless backup cameras that can be utilized with compatible PNDs to display camera footage behind the vehicle.

Auto OEM

- *Original Equipment Manufacturer (OEM) Solutions:* Garmin has cultivated key relationships with leading automobile manufacturers to be the provider of a variety of hardware and software solutions for their vehicles. These range from embedded computing models and 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.

Sales and Marketing

Garmin's distribution strategy is to support a broad and diverse network of sales channels for our products while maintaining high quality standards to ensure end-user satisfaction. Our products are sold through a large worldwide network of independent retailers, online retailers, dealers, distributors, our own online webshop (garmin.com), installation and repair shops, as well as through original equipment manufacturers (OEMs). Marketing support is provided geographically from Garmin's offices around the world.

Amazon.com, Inc. and its affiliates (Amazon), a customer of our fitness, outdoor, marine, and consumer auto segments, accounted for approximately 10% of our consolidated net sales in the fiscal year ended December 25, 2021. No other customer accounted for 10% or more of Garmin's consolidated net sales in fiscal 2021. None of the Company's customers accounted for 10% or more of consolidated net sales in the years ended December 26, 2020, and December 28, 2019.

Competition

We operate in highly competitive markets, though competitive conditions vary among our diverse target markets 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 fitness products are Amazon, Apple, Bryton, Coros, Elite, Fitbit (Google), Huawei, Polar, Samsung, Suunto, Wahoo Fitness, Whoop, Xiaomi, and Zepp Health. Garmin believes that its principal competitors for outdoor product lines are Casio, Coros, Dogtra, Globalstar, Shearwater Research, SportDOG, Suunto, TAG Heuer, Tissot, Trackman, Vista Outdoor, and Zoleo. Garmin considers its principal avionics competitors to be Aspen Avionics, CMC Electronics, Dynon Avionics, ForeFlight, Genesys Aerosystems, Honeywell Aerospace & Defense, Innovative Solutions and Support Inc., L-3 Avionics Systems, Collins Aerospace, Safran, Thales, and Universal Avionics Systems Corporation. For marine products, Garmin believes that its principal competitors are Furuno, Johnson Outdoors, Navico, and Raymarine. Garmin believes that its principal competitors for consumer automotive products are Rand McNally and TomTom. Garmin believes that its principal competitors for auto OEM infotainment solutions are Alpine Electronics, Aptiv, Bosch, Continental, Harman International Industries, the Mitsubishi Group, and Panasonic 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. 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.

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, LinKou, and Xinshi, its China facility in Yangzhou, its Netherlands facility in Oegstgeest, its Poland facility in Wroclaw, 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 the 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 and resulting in lower cost. Garmin's vertical integration approach enables leveraging of manufacturing resources across high, mid, and low volume products. Sharing of these resources across product lines favorably affects Garmin's costs to produce its range of products, with lower volume products realizing the economies of scale of higher volume products. The ownership and integration of its resources allows Garmin to optimize the design for manufacturing of its products, yielding improved cost.

Quality: Garmin's automation and advanced production processes provide in-service robustness and consistent reliability standards that enable 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 shared with the development teams, providing integrated continuous improvement throughout design and supply chain.

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Garmin's design, manufacturing, distribution, and service functions 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 (ISO). 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, Kansas and Salem, Oregon aviation operations in the U.S. have achieved certification to AS9100, a quality standard for the aviation industry. Garmin has also implemented multiple health and safety management systems and achieved certification to the ISO 45001 standard for Health and Safety Management at facilities in the U.S., Taiwan, and China.

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.

Materials

Garmin purchases components from a large number of qualified suppliers. Although many 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. For these components, we have limited near-term flexibility to use other suppliers if a current vendor becomes unavailable or is unable to meet our requirements. While extended disruptions at these suppliers could impact our ability to meet customer demand due to component shortages or increased lead times, or cause us to incur higher product costs, we believe these potential disruptions would not disproportionately disadvantage us relative to our competitors.

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, regulatory mandates, auto program manufacturing, and the release of new products when the initial demand is typically the strongest.

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.

As of January 4, 2022, Garmin has been issued over 1,700 patents throughout the world and holds more than 1,000 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.

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. Historically, capital expenditures associated with environmental controls have not been material and compliance with environmental laws has not had a material impact on the Company's competitive position.

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 extended producer responsibility laws and regulations requiring manufacturers to be responsible for collection, recovery, and recycling of wastes from certain electronic products. Historically, compliance with environmental laws has not had a material impact on our profitability. We have processes to monitor environmental law changes and to evaluate the potential impact of such laws to our business, but the impact of future enactment of environmental laws cannot yet be fully determined and could be substantial.

Garmin has a global environmental policy and is committed to working to protect the environment throughout various aspects of our business. Garmin has implemented multiple environmental management systems and achieved certification to the ISO 14001 standard for Environmental Management at facilities in the U.S., U.K., Taiwan, and China.

Garmin strives to reduce our environmental impact by increasing our environmental sustainability efforts. Garmin is committed to reducing greenhouse gas emissions through direct carbon emissions reduction and elimination strategies. Garmin has several locations that utilize renewable electricity, including facilities in Olathe, Kansas. Garmin also has made efforts to reduce waste and increase recycling and composting.

Human Capital

Successful execution of our strategy is dependent on attracting, developing, and retaining key employees and members of our management team. To facilitate talent attraction and retention, we strive to provide opportunities for our employees to grow and develop in their careers, supported by generous compensation and benefits, and through programs that build connections between our employees and their communities.

As of December 25, 2021, the Company had approximately 18,700 full and part-time employees worldwide, of whom approximately 6,400 were in the Americas region, 9,700 were in APAC (Asia Pacific and Australian Continent), and 2,600 were in EMEA (Europe, the Middle East, and Africa). Garmin's vertical integration model enables us to provide a variety of opportunities across many different professions including engineering, human resources, information technology, marketing, sales, and operations. The Company's products are created by its engineering and development staff, which numbered approximately 5,300 people worldwide as of December 25, 2021. Garmin's manufacturing staff, which numbered approximately 8,200 people worldwide as of December 25, 2021, includes manufacturing process engineers who work closely with Garmin's design engineers to ensure manufacturability and manufacturing cost control for its products.

Garmin respects the right of all employees to form and join an association to represent their interests as employees, to organize, and to bargain collectively or individually. We also respect any employee's choice to refrain from joining a union. 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. We believe our efforts in managing our workforce have been effective, as evidenced by a strong company culture and positive relations between the Company and our employees.

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We offer a range of generous benefits to our employees that enable us to attract and retain leading talent. In addition to salaries, these programs (which vary by country/region) include stock awards, retirement plans, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, and an Employee Stock Purchase Plan, which provides employees an opportunity to acquire company ownership for a discounted price. We also invest significant resources in our talent development programs to provide employees with the training and education they need to help achieve their career goals, build relevant skills, and lead their organizations. Employee Resource Groups provide opportunities for employees to connect, network, and become involved in community engagement initiatives.

We support local community engagement initiatives where we have a business presence, and we provide opportunities for employees to give back to those communities. One such initiative is through active engagement in Science, Technology, Engineering, and Math ("STEM") community outreach programs. Our strategic aim in these educational programs is to educate and encourage local students to pursue careers in the engineering field, especially those in underrepresented groups, which we believe benefits not only our company but the overall industry.

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, overall demand for our products could decrease to the extent that lost sales and profits 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. 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 materially 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, supply chain constraints, 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, the associated 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.

Public health emergencies or outbreaks of epidemics, pandemics, or contagious diseases have had and will likely continue to have significant impacts on our business.

Widespread public health emergencies or outbreaks of epidemics, pandemics, or contagious diseases, such as the COVID-19 pandemic, have had, and will likely continue to have, significant impacts on our business. The COVID-19 pandemic continues to rapidly evolve, creating disruption and uncertainty around the world, which has resulted in, and we expect will continue to result in, a change in overall demand for certain of our products and other operational impacts. There are unknown factors, such as the duration and severity of the pandemic, evolving variants of the virus that causes COVID-19 and the efficacy of vaccines against those variants, the nature and length of actions taken by governments, businesses and individuals to contain or mitigate its impact, the severity and duration of the economic impact caused by the pandemic, the uncertainty surrounding the distribution and uptake of vaccines, the impact of employees who are unable to work due to quarantine requirements or who decline to adhere to government-mandated vaccination or testing requirements, along with the effectiveness of our response, that may materially impact our business operations, results of operations, and its ultimate impact on our financial condition.

Demand for certain of our products has been, and may continue to be, affected in several ways during the COVID-19 pandemic. Some consumers have been and may continue to be less able or less likely to purchase certain of our products due to economic hardships, governmental restrictions affecting them and the retail outlets that sell our products, voluntary behavior changes associated with public health guidance, the prioritization of other goods and services by online retailers that sell our products, restrictions on the ability of online retailers to ship products to certain areas, the cancellation of trade shows and other events that are otherwise important in the marketing and sale of our products, and the potential failure and closure of retail outlets and online retailers that sell our products. Certain of our sales and distribution offices have experienced and may again experience temporary closure due to governmental restrictions. Additional or prolonged closures of certain sales and distribution offices could affect our ability to market and distribute products to meet customer demand. The adverse impacts of the pandemic have created economic stress in the global marketplace, periods of high levels of unemployment, loss of income and/or wealth for some individuals, and general economic uncertainty. These conditions have affected and are expected to continue to affect the willingness or ability of some customers to purchase certain of our products or those of original equipment manufacturers in which our products are installed. We have also experienced increased demand for certain of our products during the COVID-19 pandemic as consumer behavior and demand shifted toward products offered by our fitness, outdoor, and marine segments, and our aviation and auto segments have trended positively subsequent to the initial declines in those segments. It is not yet known whether certain of these behaviors and demand will persist, and there has been a decline in the demand for certain of these products and may be a decline in demand for others as people return to pre-pandemic lifestyles.

Our supply chain has been and may continue to be adversely impacted by the COVID-19 pandemic. We have experienced delays in procuring and may continue to be unable to procure certain components from our suppliers, and the cost of procuring certain components has increased and could continue to increase. We have faced logistics constraints and higher freight costs, the scope and severity of which may intensify. Reduced demand for certain of our products has resulted in, and may continue to result in, reduced utilization of certain of our manufacturing facilities and higher per-unit costs for certain products. Certain of our manufacturing facilities have experienced and may in the future experience inopportune temporary closures or reduced hours, which could adversely affect the costs incurred to produce our products and our ability to meet demand.

The COVID-19 pandemic has had and will continue to have several other operational impacts on our business, which has and may continue to include employees working remotely, temporarily ceasing operations in some offices due to government restrictions, business travel restrictions, and the cancellation of events that are otherwise important in the development, marketing and sale of our products. These changes in our business operations may result in reduced efficiency and lower productivity. We have incurred and may continue to incur increased costs as we provide additional benefits to assist our employees during the COVID-19 pandemic and provide a safe and healthy workplace for employees who continue to work in our facilities. Similar operational and financial hardships on our business partners may result in aged or uncollectable receivables, and the reduced demand for certain of our products could result in obsolescence of certain inventory. If the economy experiences a sustained downturn of significant proportion that impacts portions of our business, we may also need to incur the costs and organizational impacts of personnel restructuring.

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Additional risks and impacts including gross margin fluctuation, foreign currency fluctuations, product development challenges, impacts to our key personnel, and dependencies on third party suppliers, may be heightened as a result of the COVID-19 pandemic and evolving variants of the virus that causes COVID-19. There are further unknown risks and impacts due to the uncertainty and rapidly evolving nature of the pandemic including, but not limited to, uncertainty around the evolution of the pandemic, the unprecedented imposition of preventative measures by governments that impact the economy and normal operations of a business and the timing and manner of relaxation of those measures. Potential future health emergencies may present risks and impacts similar to the ongoing COVID-19 pandemic. If we are unable to manage these risks and uncertainties, our business, financial condition, and results of operations could be materially impacted.

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

We have experienced annual growth in sales and profits in our outdoor and fitness segments, which 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.

We depend on third party suppliers and licensors, some of which are sole source, for technology and components used in our products. Our production and business would be seriously harmed if these suppliers or licensors 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 availability of high-quality components at reasonable cost is essential to the successful production and sale of our products. Some components we use are from sole source suppliers.

We have and may continue to experience shortages of certain components as well as delays in procuring certain components. In addition, a shortage in supply of components may result in an increase of the costs of procuring these components. If suppliers are unable to meet our demand for components on a timely basis or if we are unable to obtain components from an alternative source, or if the price of alternative components is prohibitive, our ability to maintain timely and cost-effective production of our products would be seriously harmed.

Our products are also dependent on certain licensed technology and content. If we are unable to continue sourcing such technology and content from our licensors and are unable to obtain an alternative source, or if our relationships with our licensors change detrimentally, our ability to provide certain features in our products would be seriously harmed.

We expect to make significant investments in the auto OEM operating segment for the foreseeable future, which would continue to negatively impact total Company profits and may negatively impact shareholder value if the operating segment fails to become profitable.

We have been awarded several tier-one and tier-two auto OEM supplier contracts. To fulfill the associated program commitments, we are investing significantly in facilities, research and development, and other operating expenses and expect to continue doing so in the coming years. Gross margins associated with these auto OEM programs will negatively impact consolidated gross margin as auto OEM revenue increases as a percentage of consolidated revenue. If we are not successful in winning additional contracts and substantially leveraging our investments, operating losses in the auto OEM segment will continue to negatively impact total Company profits and may negatively impact shareholder value. We may incur substantial restructuring costs if we are unable to generate profits from auto OEM contracts.

Our business and reputation have been and are expected to continue to be impacted by information technology system failures and network disruptions.

The Company and its global supply chain have experienced and are expected to continue to be exposed to information technology system failures and network disruptions including those caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, and ransomware or other cybersecurity incidents.

We have technology and processes in place designed to detect and respond to such failures and disruptions. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems, and the nature of other potential incidents changes frequently and may be difficult to detect for long periods of time, our detection and response measures may be ineffective or inadequate. Furthermore, even with appropriate training conducted in support of such measures, human errors and omissions may still occur resulting in system failures and/or disruptions to our information technology infrastructure. Therefore, the Company's business continuity and disaster recovery planning, or those of others in our global supply chain, may not be able to sufficiently mitigate all threats.

Such failures or disruptions can materially adversely affect our business, reputation, results of operations, and financial condition through, among other things, a disruption of internal operations, including order processing, invoicing, and manufacturing and distribution of products, and a loss of functionality of critical systems and online services. Actual or anticipated attacks and risks have caused, and are expected to continue to 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. Although we maintain cyber insurance coverage that, subject to policy terms and conditions and significant self-insured retentions, 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.

Losses or unauthorized access to or releases of proprietary or confidential information, including personal information, could result in significant reputational, financial, legal, and operational consequences.

We have experienced, and are expected to continue to experience, malicious attacks and other attempts to gain unauthorized access to our systems that seek to compromise the confidentiality, integrity or availability of proprietary and confidential information. A breach of our security systems and procedures or those of others in our global supply chain could result in significant data losses or theft of our intellectual property, confidential and proprietary information, or that of our business partners, as well as our users' or employees' personal information, which could compromise our competitive position, reputation, operating results, and financial condition. Also, if we fail to reasonably maintain the security of our intellectual property, confidential and proprietary information, or that of our business partners, or the personal information of our users or employees, we may be subject to private litigation, government investigations, regulatory proceedings, enforcement actions, and cause us to incur potentially significant liability, damages, or remediation costs. Although we maintain cyber insurance coverage that, subject to policy terms and conditions and significant self-insured retentions, 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.

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 significantly on the continued contribution of our key executive, engineering, sales, marketing, manufacturing, and administrative personnel. Recruiting and retaining the skilled personnel we require to maintain and grow our market position has been and is expected to continue to be difficult. The overall shortage in qualified workforce personnel combined with the increased willingness of companies to hire such personnel in fully remote positions has, and in the future may continue, to increase our compensation costs in order for us to retain such personnel. If we fail to hire and retain qualified employees, our business and growth prospects will be harmed.

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.

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

Our principal manufacturing facilities are located in Taiwan. Deterioration of 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 cause disruption to our manufacturing operations which could materially adversely 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 exist 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. There is also a risk that the PRC government may unilaterally seek to occupy Taiwan, by force if necessary, without a clear triggering event. In this scenario, Garmin's manufacturing facilities in Taiwan could be subject to disruptions that could have a material negative impact to our operations. 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 materially adversely affect our operations in Taiwan in the future.

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

Our tax positions 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, particularly in the U.S., Switzerland, Taiwan, and United Kingdom (U.K.). We cannot predict the outcome of any specific legislative proposals.

Global 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 (BEPS) by multinational corporations. While these recommendations do not change 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. Partially to respond to changes to global tax standards, we initiated an intercompany transaction in 2020 which migrates ownership of certain intellectual property from Switzerland to the United States, which is the primary location of research, development and executive management. At the end of this migration, a higher percentage of income will be recognized in the U.S. Due to the subjectivity inherent in transfer pricing associated with this intercompany transaction, we are pursuing an advanced pricing agreement with relevant jurisdictions to provide certainty regarding the pricing. However, we are unable to predict the outcome of the final advanced pricing agreement and related negotiations, which could materially and/or adversely impact our income tax provision, net income or cash flows for periods during negotiation and upon finalization.

In 2021, the OECD continued work on the BEPS project by issuing a statement regarding a two-pillar solution which includes within "Pillar Two" a global minimum tax. Numerous countries have signed onto the OECD statement including Switzerland, the U.S. and the U.K. Recently, Switzerland's Federal Council proposed legislation which would implement a minimum tax of 15% in 2024. Neither the OECD statement nor proposed legislation changes actual tax law, but these actions may lead to legislation in those countries in which we operate. The passage of a minimum tax may result in an increase in the tax paid by the Company which could materially and/or adversely impact our income tax provision and financial statements.

Significant judgment is required in determining our global provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain, most notably in the area of transfer pricing. 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.

Trade and other international disputes can result in tariffs, sanctions, and other measures that restrict international trade and can adversely affect our business. For example, tensions between the U.S. and the PRC have led to a series of tariffs being imposed by the U.S. on imports from the PRC. Many other countries have considered or imposed similar measures. The imposition of additional governmental controls or regulations that create new or enhanced restrictions on free trade, trade sanctions, or tariffs, particularly those applicable to materials or goods from the PRC, could have a substantial adverse effect on our business, results of operations, and financial condition.

Our results of operations and financial condition are subject to fluctuations in foreign currency translation.

The movement of foreign currencies relative to the U.S. Dollar affects the U.S. Dollar value of the Company's foreign currency-denominated sales. The weakening of foreign currencies relative to the U.S. Dollar could have a significant effect on our revenue, gross margin, and profitability, or may cause the Company to raise international pricing, which could potentially reduce demand for our products. Conversely, a strengthening of certain foreign currencies relative to the U.S. Dollar could increase product costs and operating expenses denominated in those currencies, thus adversely affecting gross margins and profitability. We have not historically used financial instruments to hedge our foreign currency exchange rate risks.

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 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.

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 operations outside the United States that 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 in the past, and could in the future 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.

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, competition in the market for our products intensifies and 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, due to supply chain issues or other constraints, to meet unexpected demand.
- Rapid increases in production levels to meet unanticipated demand could result in higher costs for manufacturing and supply of components, higher freight costs associated with urgent distribution of the products, 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.

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- 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.

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 other factors, including product mix, foreign exchange rates, freight and component costs, manufacturing facility utilization, 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.

Our intellectual property rights are important to our operations, and we could suffer loss if they infringe upon others' 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 material 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 and could harm our results of operations and financial condition.

The long-term effects of the United Kingdom's withdrawal from the European Union ("Brexit") 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 (U.K.) formally left the European Union (E.U.) on January 31, 2020. As a result, the U.K. is no longer part of the European Single Market and European Union Customs Union effective January 1, 2021. The E.U.-U.K. Trade and Cooperation Agreement (TCA) became effective on May 1, 2021. Under the TCA, there is no longer free movement of goods or people between the U.K. and the E.U., which has resulted and could continue to result in certain delays in the shipment of goods from the U.K. to the E.U. The long-term risks of Brexit include economic recessions in the U.K. or other European markets and currency instability for both the British Pound Sterling and the Euro.

We have operations in the U.K., including offices and a distribution facility, and in several E.U. member states. Brexit therefore has impacted and will continue to impact our operations. While these impacts have not yet been material to our business operations, results of operations, and financial condition, risks such as slow or inefficient border clearance, prolonged economic recession, and currency fluctuations could have material adverse effects in the future.

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 competing products.

As a business that operates worldwide, we are subject to complex and changing global laws and regulations, which exposes the Company to potential liabilities, increased costs and other adverse effects on our business.

Our global operations are subject to complex and changing laws and regulations, including those in the following areas: telecommunications; environmental, health and safety; labor and employment; antitrust; data privacy and security; consumer protection; product liability; anticorruption; import, export and trade; foreign exchange controls; anti–money laundering; and tax.

Compliance with these laws and regulations is onerous and expensive, increasing the cost of conducting our global operations. We have implemented policies and procedures designed to ensure compliance with applicable global laws and regulations, but there can be no assurance that at all times we will be in compliance with all global regulations given their multitude, complexity and ever-changing nature. If we are found to have violated laws and regulations, it could materially adversely affect our business, reputation, results of operations and financial condition.

Our business is subject to a variety of United States and international laws, regulations and other legal obligations regarding data protection.

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.

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Regulatory authorities and legislative bodies around the world, including in the United States, have enacted or are considering enacting a number of legislative and regulatory proposals concerning data protection. These laws continue to develop and may be inconsistent from jurisdiction to jurisdiction. 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. Noncompliance could result in significant penalties, governmental investigations and regulatory proceedings, litigation, harm to our brand, and a decrease in the use of our products and services. Many of these laws provide for significant penalties. Under the General Data Protection Regulation in the European Union, for example, potential penalties can be as high as 4% of a company's total global revenue.

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 shutdown 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.

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").

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.

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 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. The 2017 Act also 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.

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

Natural disasters and extreme weather events, such as tsunamis, typhoons, floods, wildfires, 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. Global climate change could also result in certain types of natural disasters occurring more frequently or with more intense effects. For descriptions and locations of our principal properties, see Item 2, "Properties". These events could also have an impact on our suppliers and affect our supply chain. If our backup and recovery plans are not sufficient to minimize business disruption and 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 U.S. Environmental Protection Agency regulates greenhouse gas emissions under the authority granted to it under the Clean Air Act. U.S. Congress, in addition to other regulatory authorities and legislative bodies around the world, could pass further legislation to mandate greenhouse gas emission reduction, implement cap-and-trade programs, or promote renewable energy and energy efficiency. Such measures could influence mobility and transportation trends, which could decrease the demand for certain of our products.

If climate change has impacts on natural disasters or the regulatory environment as discussed above, it could result in a change in demand for certain products in markets that we serve, including auto, aviation, and marine. If we fail to adjust our product and service offerings to respond to new opportunities driven by changes in regulation and/or consumer preferences, it could have an adverse effect on our financial results.

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.

Declines in consumer auto profits could negatively impact the carrying value of the goodwill associated with the reporting unit.

Revenue and profits of the consumer auto reporting unit declined for a number of years through fiscal 2020, as competing technologies emerged and market saturation occurred for certain key products. Revenue and profit of the consumer auto reporting unit has since increased, but some uncertainty remains regarding the long-term growth and profitability of the reporting unit. There is no assurance that we can continue to generate profits from the consumer auto segment, and in the future some or all of the goodwill associated with the consumer auto reporting unit could be at risk of impairment.

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 and information technology costs, have increased as a percentage of our sales in some periods. If revenues decrease and we continue to increase operating expenses, our operating results would be negatively affected.

Historically, our revenues have been lower 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. However, this can fluctuate based on the timing of new product launches. Sales of certain of our fitness, outdoor, marine, and auto products tend to be higher in our second fiscal quarter due to increased consumer spending for such products in the spring 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.

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.

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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.

Our large customers may also seek to leverage their position to improve their profitability through increased promotional programs or other measures, which could have a negative impact on our gross margin. Additionally, the loss of any large customer could adversely affect our sales and profits. See Note 2 in the Notes to the Consolidated Financial Statements for more information on concentration of credit risk.

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 continually 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 business, operational, and financial activities such as internal controls, Sarbanes-Oxley Act of 2002 compliance, cyber security measures, 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.

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. GPS satellites have a limited lifespan and are subject to damage by the hostile space environment in which they operate. While many of the original satellites deployed by the U.S. have been in operation for more than 20 years, the U.S. Space Force and Missile Systems Center continue to launch new satellites to replace retired and aged satellites.

Despite ongoing efforts to repair, maintain and replace non-operational satellites, 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 GPS and the growth of current and additional market opportunities. Furthermore, as GPS satellites and ground control segments are being modernized, 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 commercial access to GPS was 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 Quasi-Zenith Satellite System (QZSS), 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 Russia's GLONASS, EGNOS' aviation SoL service, the European Union Galileo system, and the Chinese BDS. 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-U.S. 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.

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

Acts of war or acts of terrorism could have a material adverse impact on our business, operating results, and financial condition. Specifically, 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.

We are dependent on the availability and unimpaired use of allocated bands within the radio frequency spectrum; our products may be subject to harmful interference from new or modified spectrum uses.

Our Global Positioning System technology is dependent on the use of the Standard Positioning Service (SPS) provided by the U.S. Government's GPS satellites. GPS 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.

Our radar altimeter products for aircraft operate in a radio frequency band just above the C-band that has been allocated for 5G mobile wireless systems. There is a risk that 5G telecommunication systems operating in the vicinity of airports could cause harmful interference to radar altimeters resulting in inaccurate altimeter readings or complete altimeter failure.

This or any other 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 could have significant negative impacts on our business and our customers.

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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 2021, the closing price of our shares ranged from a low of $114.86 to a high of $178.38. 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 24, 2022, members of our Board of Directors and our executive officers, together with their respective immediate family members and entities that may be deemed affiliates of or related to such persons or entities, beneficially owned approximately 20% 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 without subjecting our shareholders to Switzerland withholding tax.

As of December 25, 2021, we had CHF 4,800 million of unappropriated capital contribution reserves available from which the Company may make dividend payments. At the time this reserve balance has been returned to shareholders, a Swiss federal withholding tax of 35% will generally be applicable to dividends paid.

When the capital contribution reserves are fully utilized, the Swiss federal withholding tax must be withheld from the gross dividend distribution and paid to the Swiss federal Tax Administration. A holder that qualifies for benefits under a double tax treaty may be able to recover partial withholding tax. For example, 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 dividend out of capital contribution reserves, 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 capital contribution reserves becoming subject to additional corporate law or other restrictions. If we are unable to pay a dividend out of capital contribution reserves, we will not be able to make distributions without subjecting our shareholders to Swiss withholding taxes.

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.

Item 1B. Unresolved Staff Comments

None.

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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 of activities. Garmin's principal properties are described below:

Garmin International, Inc. owns and occupies facilities of approximately 1,990,000 square feet on approximately 107 acres at 1200 East 151st Street, Olathe, Kansas, U.S. 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. The 1,990,000 square feet includes a newly constructed 775,000 square foot manufacturing and distribution center. 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 facilities, which are 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 International, Inc. leases 148,000 square feet of land at New Century Airport at 1 New Century Pkwy, Gardner, Kansas, U.S. 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.

Garmin International, Inc. also owns approximately 367 acres of additional land in Olathe, Kansas that could accommodate future property development.

Garmin AT, Inc. leases approximately 18 acres of land at 2345 Turner Road SE, Salem, Oregon, U.S. under a ground lease. The current term of this ground lease ends 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 and manufacturing use and a 33,000 square foot aircraft hangar that serves as a 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 customer support and research and development activities.

Garmin Corporation owns and occupies a 247,000 square foot facility at No. 68, Zhangshu 2nd Road, Xizhi Dist., New Taipei City, Taiwan, a 185,000 square foot facility at No.97, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City, Taiwan, a 224,000 square foot facility at No. 24 Beiyuan Road, Jhongli, Tao-Yang County, Taiwan, a 576,000 square foot facility at No. 270 Huaya 2nd Road, LinKou, Tao-Yang County, Taiwan, and a 615,000 square foot facility at No. 3, Titanggang Rd., Xinshi Dist., Tainan City, Taiwan. Garmin China YangZhou Co., Ltd. leases a 204,000 square foot manufacturing facility at No. 122, Jinshan Road, Bali Town, Yangzhou, Jiangsu, People's Republic of China. These facilities are used for the manufacturing and warehousing of most of Garmin's fitness, outdoor, marine, and auto products, as well as portable aviation products. These facilities are also used for research and development activities and marketing and support of products for Asia Pacific countries.

Garmin (Europe) Ltd. owns and occupies a 155,000 square foot building located at Liberty House, Hounsdown Business Park, Southampton, U.K., and leases a 100,000 square foot facility at 4 Parham Dr, Boyatt Wood, Eastleigh, U.K., both used for warehousing, distribution, and office space.

Tacx B.V. owns and occupies a 291,000 square foot facility located at De Boeg 2, 2343 MA Oegstgeest, Netherlands. This facility is used for design and development, manufacturing, and warehousing of indoor training products.

Garmin Wroclaw sp. z o.o leases a 319,000 square foot facility located at Ul. Ryszarda Chomicza 2, 55-040 Biskupice Podgórne, Poland. This facility is used for the manufacturing of certain auto OEM products, as well as distribution of other Garmin products in the region.

Garmin also owns and leases other properties around the world that are not described above and are used for office space, warehousing, and retail.

Item 3. Legal Proceedings

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 matters during the fiscal year ended December 25, 2021 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.

Information about our Executive Officers

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 10, 2022.

Dr. Min H. Kao, age 73, 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 56, 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. 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, 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 59, 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 66, 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.

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PART II

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

Since December 7, 2021, Garmin's shares have traded on the New York Stock Exchange under the symbol "GRMN". Prior to December 7, 2021, Garmin's share were traded on The Nasdaq Stock Market, LLC under the symbol "GRMN" since its initial public offering on December 8, 2000 (the "IPO"). As of January 31, 2022, there were 263 shareholders of record.

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, the NASDAQ 100 Index, and the S&P 500 Index. Beginning in fiscal year 2022, as a result of the transfer to the New York Stock Exchange, the graph will include only the S&P 500 Index and the Nasdaq Composite 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 December 31, 2016 ("12/16") to December 31, 2021("12/21").

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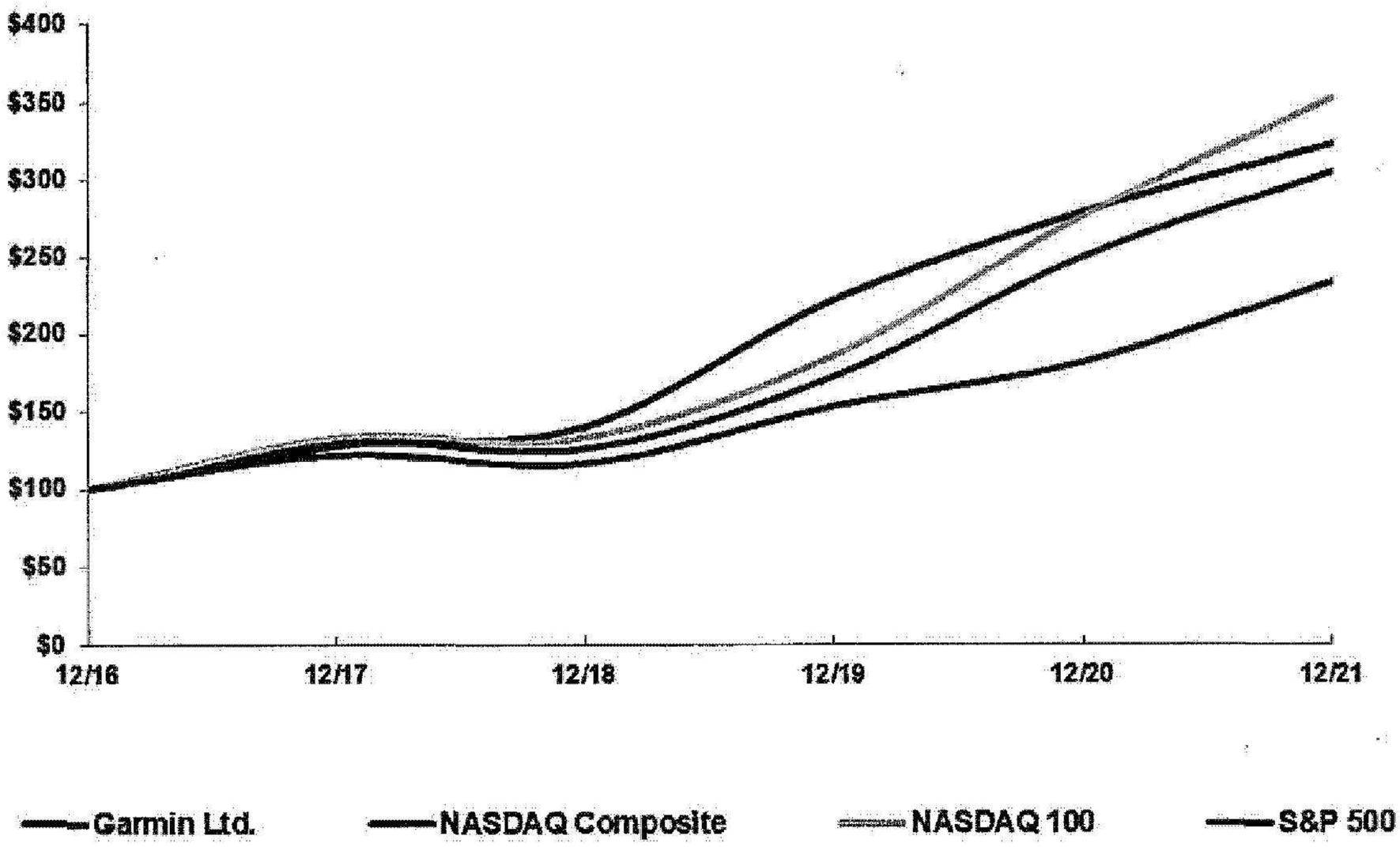
COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Garmin Ltd., the NASDAQ Composite Index,
the NASDAQ 100 Index and the S&P 500 Index



*$100 invested on 12/31/16 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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	12/16	12/17	12/18	12/19	12/20	12/21
Garmin Ltd.	100.00	127.58	140.13	221.58	278.73	323.07
NASDAQ Composite	100.00	129.64	125.96	172.17	249.51	304.85
NASDAQ 100	100.00	132.99	133.04	185.54	276.22	352.19
S&P 500	100.00	121.83	116.49	153.17	181.35	233.41

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

Item 6. [Reserved]

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.

This section provides discussion and a year-to-year comparison for the fiscal years ended December 25, 2021 and December 26, 2020. Discussion regarding our results of operations for the fiscal year ended December 28, 2019 and a year-to-year comparison between the fiscal years ended December 26, 2020 and December 28, 2019 can be found in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 26, 2020.

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 2021, 2020 and 2019 contained 52 weeks. 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

The Company is a leading worldwide provider of wireless devices, many of which feature Global Positioning System (GPS) navigation, and applications that are designed for people who live an active lifestyle. We are organized in the six operating segments of fitness, outdoor, aviation, marine, consumer auto, and auto OEM. The Company's Chief Executive Officer, who has been identified as the Chief Operating Decision Maker (CODM), allocates resources and assesses performance of each operating segment individually. The fitness, outdoor, aviation, and marine operating segments represent reportable segments. The consumer auto and auto OEM operating segments, which serve the auto market, do not meet the quantitative thresholds to separately qualify as reportable segments, and they are therefore reported together in an "all other" category captioned as auto. Fitness, outdoor, aviation, marine, and auto are collectively referred to as our reported segments.

The operating segments offer products through our network of subsidiary distributors and independent dealers and distributors, our own webshop, as well as through various aviation, marine, and auto OEMs. Each of the operating segments is managed separately.

Business Environment Update

The COVID-19 pandemic has created disruption and uncertainty in the global economy and has affected our business, suppliers, and customers. The pandemic had an unfavorable impact on net sales and profitability of our aviation and auto segments during 2020. However, aviation net sales and profitability trended positively during 2021, while auto net sales have also rebounded. We believe net sales and profitability of our fitness, outdoor, and marine segments benefited from a shift in consumer behavior and demand toward the products these segments offer. While these trends generally continued during 2021, certain consumer behaviors have shifted and others may shift as people return to pre-pandemic lifestyles.

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Our global supply chain is routinely subject to component shortages, increased lead times, cost fluctuations, and logistics constraints. These factors have been further amplified by the pandemic, which adversely impacted our financial results in 2021, and we expect these supply chain challenges to continue throughout 2022.

The current business environment may evolve in ways that could impact our operations and financial results. Further, the nature and degree of the effects of the pandemic and supply chain challenges over time remains uncertain. Refer to Part I, Item 1A, "Risk Factors" of this Annual Report for further discussion of the risks and uncertainties facing our Company.

Critical Accounting Estimates

General

Our discussion and analysis of financial condition and results of operations are based upon the Company'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 management 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, we evaluate our 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. We base our estimates on historical experience and 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. Refer to Note 2 in the Notes to the Consolidated Financial Statements for our significant accounting policies related to our critical accounting estimates.

Goodwill

We allocate goodwill to reporting units in proportion to the expected benefit from each business combination. Each of the Company's operating segments (fitness, outdoor, aviation, marine, consumer auto, and auto OEM) represents a distinct reporting unit. Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the operating performance indicators, competition, or expectations about future market or economic conditions.

Application of the goodwill impairment test requires significant judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated through the use of a discounted cash flow methodology. This analysis requires significant assumptions, including discount rate, projected future revenues, projected future operating margins, and terminal growth rates. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for each reporting unit.

Unrecognized Income Tax Benefits

We recognize liabilities associated with uncertain income tax positions, including those related to transfer pricing, based on our estimate of whether, and the extent to which, additional taxes will be due. We recognize the tax benefits from an uncertain tax position only if payment of these amounts ultimately proves to be not required or it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest amount of benefit that is more likely than not to be realized upon ultimate settlement.

Assessing uncertain tax positions requires significant judgment, including the evaluation of unique facts and circumstances and the interpretation of laws and regulations, especially the assessment of pricing analyses that may produce various ranges of outcomes. Variations in the actual outcome of these future tax consequences could materially impact our consolidated financial statements.

Accounting Terms and Characteristics

Net Sales

Our net sales are primarily generated through sales to our retail partners, dealer and distributor network, our own webshop, and to original equipment manufacturers (OEMs). Refer to the Revenue Recognition discussion in Note 2 of the Notes to Consolidated Financial Statements. We aim to achieve a quick turnaround on orders we receive from our retail, dealer, and distributor customers. Certain arrangements with OEM customers are entered into at the beginning of an aircraft, boat, or vehicle life cycle with the intent to fulfill customer purchasing requirements for the entire production life, although there are generally no firm volume commitments, and sales are therefore generated on an order-by-order basis. As a result, we do not believe backlog information is 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, regulatory mandates, auto program manufacturing, 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 or more readily available components.

We believe that our flexible production model allows our factories 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 other locations.

Shipping and handling costs associated with the transportation and delivery of our products are included in cost of goods sold. Such costs fluctuate due to a number of factors, including market pricing and the mix of modes of transportation we utilize.

Sales price variability, including that which is associated with foreign currency fluctuations, 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 primarily 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:

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

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Research and Development

The majority of our research and development costs represent engineering personnel costs, costs of test equipment and components used in product and prototype development, and outside product development costs.

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 auto OEM programs and new markets for active lifestyle products.

Income Taxes

We have experienced a relatively low effective income tax rate due to the proportion of our income generated by entities in tax jurisdictions with relatively low statutory rates.

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 December 25, 2021	52-Weeks Ended December 26, 2020	52-Weeks Ended December 28, 2019
Net sales	100%	100%	100%
Cost of goods sold	42%	41%	41%
Gross profit	58%	59%	59%
Operating expenses:			
Advertising	3%	4%	4%
Selling, general and administrative	13%	14%	14%
Research and development	17%	17%	16%
Total operating expenses	34%	34%	34%
Operating income	24%	25%	25%
Other income (expense), net	—%	1%	1%
Income before income taxes	24%	26%	26%
Provision for income taxes	3%	2%	1%
Net income	22%	24%	25%

The table below sets forth our results of operations through operating income for each of our five reported segments and supplemental information for the consumer auto and auto OEM operating segments that management believes is useful. The Company's CODM uses operating income as the measure of profit or loss, combined with other measures, 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 reasonable manner considering the specific facts and circumstances of the expenses being allocated. For each line item in the table below, the total of the reported segments' amounts equals the amount in the Consolidated Statements of Income.

52-Weeks Ended December 25, 2021	Fitness	Outdoor	Aviation	Marine	Auto		
					Total Auto	Consumer Auto	Auto OEM
Net sales	$ 1,533,788	$ 1,281,933	$ 712,468	$ 875,151	$ 579,455	$ 324,731	$ 254,724
Cost of goods sold	720,463	447,096	192,647	379,841	352,289	170,906	181,383
Gross profit	813,325	834,837	519,821	495,310	227,166	153,825	73,341
Advertising expense	77,403	52,567	4,059	24,429	13,371	13,290	81
Selling, general and administrative expenses	217,847	171,867	77,937	112,078	80,257	39,943	40,314
Research and development expense	145,500	129,626	246,050	114,604	204,244	54,989	149,255
Total operating expenses	440,750	354,060	328,046	251,111	297,872	108,222	189,650
Operating income (loss)	$ 372,575	$ 480,777	$ 191,775	$ 244,199	$ (70,706)	$ 45,603	$ (116,309)

52-Weeks Ended December 26, 2020	Fitness	Outdoor	Aviation	Marine	Total Auto	Consumer Auto	Auto OEM
Net sales	$ 1,317,498	$ 1,128,081	$ 622,820	$ 657,848	$ 460,326	$ 275,493	$ 184,833
Cost of goods sold	619,959	388,304	169,812	273,398	253,764	135,629	118,135
Gross profit	697,539	739,777	453,008	384,450	206,562	139,864	66,698
Advertising expense	66,157	49,957	2,921	21,549	10,582	10,387	195
Selling, general and administrative expenses	190,109	143,714	76,504	94,376	65,542	40,094	25,448
Research and development expense	122,389	105,021	236,380	92,801	149,094	47,919	101,175
Total operating expenses	378,655	298,692	315,805	208,726	225,218	98,400	126,818
Operating income (loss)	$ 318,884	$ 441,085	$ 137,203	$ 175,724	$ (18,656)	$ 41,464	$ (60,120)

52-Weeks Ended December 28, 2019	Fitness	Outdoor	Aviation	Marine	Total Auto	Consumer Auto	Auto OEM
Net sales	$ 1,047,527	$ 917,567	$ 735,458	$ 508,850	$ 548,103	$ 365,511	$ 182,592
Cost of goods sold	514,923	319,124	192,073	205,901	291,508	193,293	98,215
Gross profit	532,604	598,443	543,385	302,949	256,595	172,218	84,377
Advertising expense	71,772	52,171	5,667	20,411	14,435	14,174	261
Selling, general and administrative expenses	159,793	124,650	65,663	90,352	78,110	53,444	24,666
Research and development expense	109,181	87,581	219,112	82,310	107,182	41,301	65,881
Total operating expenses	340,746	264,402	290,442	193,073	199,727	108,919	90,808
Operating income (loss)	$ 191,858	$ 334,041	$ 252,943	$ 109,876	$ 56,868	$ 63,299	$ (6,431)

Net Sales

Net Sales	52-Weeks Ended December 25, 2021	Year-over-Year Change	52-Weeks Ended December 26, 2020	Year-over-Year Change	52-Weeks Ended December 28, 2019
Fitness	$ 1,533,788	16%	$ 1,317,498	26%	$ 1,047,527
Percentage of Total Net Sales	31%		31%		28%
Outdoor	1,281,933	14%	1,128,081	23%	917,567
Percentage of Total Net Sales	26%		27%		24%
Aviation	712,468	14%	622,820	(15%)	735,458
Percentage of Total Net Sales	14%		15%		20%
Marine	875,151	33%	657,848	29%	508,850
Percentage of Total Net Sales	17%		16%		13%
Auto	579,455	26%	460,326	(16%)	548,103
Percentage of Total Net Sales	12%		11%		15%
Consumer Auto	324,731	18%	275,493	(25%)	365,511
Percentage of Total Net Sales	7%		7%		10%
Auto OEM	254,724	38%	184,833	1%	182,592
Percentage of Total Net Sales	5%		4%		5%
Total	$ 4,982,795	19%	$ 4,186,573	11%	$ 3,757,505

Net sales increased 19% in fiscal year 2021 when compared to the year-ago period. Total unit sales increased approximately 8% to 16.6 million units in 2021 from 15.4 million units in 2020, which was a smaller increase than that of revenue primarily due to shifts in segment and product mix. Fitness revenue represented the largest portion of our revenue mix in 2021 at 31%, consistent with 31% in 2020.

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The increase in fitness revenue was primarily driven by growth in cycling and advanced wearables products, although the growth trend in cycling slowed throughout 2021 as market trends normalized from pandemic driven levels, which is expected to continue in fiscal 2022. Outdoor revenue increased due to sales growth across multiple product categories, primarily led by adventure watches. The aviation revenue increase was primarily driven by growth in OEM. Marine revenue increased due to growth across all categories, led by strong demand for our chartplotters. Auto revenue increased primarily due to sales growth in auto OEM programs and consumer auto specialty product categories.

Gross Profit

Gross Profit	52-Weeks Ended December 25, 2021	Year-over-Year Change	52-Weeks Ended December 26, 2020	Year-over-Year Change	52-Weeks Ended December 28, 2019
Fitness	$ 813,325	17%	$ 697,539	31%	$ 532,604
Percentage of Segment Net Sales	53%		53%		51%
Outdoor	834,837	13%	739,777	24%	598,443
Percentage of Segment Net Sales	65%		66%		65%
Aviation	519,821	15%	453,008	(17%)	543,385
Percentage of Segment Net Sales	73%		73%		74%
Marine	495,310	29%	384,450	27%	302,949
Percentage of Segment Net Sales	57%		58%		60%
Auto	227,166	10%	206,562	(19%)	256,595
Percentage of Segment Net Sales	39%		45%		47%
Consumer Auto	153,825	10%	139,864	(19%)	172,218
Percentage of Segment Net Sales	47%		51%		47%
Auto OEM	73,341	10%	66,698	(21%)	84,377
Percentage of Segment Net Sales	29%		36%		46%
Total	$ 2,890,459	16%	$ 2,481,336	11%	$ 2,233,976
Percentage of Total Net Sales	58%		59%		59%

Gross profit dollars in fiscal year 2021 increased 16%, primarily due to the increase in net sales compared to the year-ago period as described above. Consolidated gross margin decreased 130 basis points when compared to the year-ago period, primarily due to higher freight costs.

Gross margin remained relatively flat within the fitness, outdoor, and aviation segments. Higher freight costs in the fitness and outdoor segments were mostly offset by favorable product mix, while the marine and consumer auto gross margin decreases of 180 basis points and 340 basis points, respectively, were primarily attributable to higher freight costs. The auto OEM gross margin decrease of 730 basis points was primarily attributable to product mix associated with growth in certain auto OEM programs. This auto OEM product mix and associated lower gross margin trend is generally expected to continue into 2022 and beyond.

Advertising Expenses

Advertising	52-Weeks Ended December 25, 2021	Year-over-Year Change	52-Weeks Ended December 26, 2020	Year-over-Year Change	52-Weeks Ended December 28, 2019
Fitness	$ 77,403	17%	$ 66,157	(8%)	$ 71,772
Percentage of Segment Net Sales	5%		5%		7%
Outdoor	52,567	5%	49,957	(4%)	52,171
Percentage of Segment Net Sales	4%		4%		6%
Aviation	4,059	39%	2,921	(48%)	5,667
Percentage of Segment Net Sales	1%		—%		1%
Marine	24,429	13%	21,549	6%	20,411
Percentage of Segment Net Sales	3%		3%		4%
Auto	13,371	26%	10,582	(27%)	14,435
Percentage of Segment Net Sales	2%		2%		3%
Consumer Auto	13,290	28%	10,387	(27%)	14,174
Percentage of Segment Net Sales	4%		4%		4%
Auto OEM	81	(58%)	195	(25%)	261
Percentage of Segment Net Sales	—%		—%		—%
Total	$ 171,829	14%	$ 151,166	(8%)	$ 164,456
Percentage of Total Net Sales	3%		4%		4%

Advertising expense increased 14% in absolute dollars and decreased slightly as a percent of revenue in fiscal year 2021 compared to fiscal year 2020. The total absolute dollar increase was primarily attributable to increased media and cooperative spend.

Selling, General and Administrative Expenses

Selling, General & Admin. Expenses	52-Weeks Ended December 25, 2021	Year-over-Year Change	52-Weeks Ended December 26, 2020	Year-over-Year Change	52-Weeks Ended December 28, 2019
Fitness	$ 217,847	15%	$ 190,109	19%	$ 159,793
Percentage of Segment Net Sales	14%		14%		15%
Outdoor	171,867	20%	143,714	15%	124,650
Percentage of Segment Net Sales	13%		13%		14%
Aviation	77,937	2%	76,504	17%	65,663
Percentage of Segment Net Sales	11%		12%		9%
Marine	112,078	19%	94,376	4%	90,352
Percentage of Segment Net Sales	13%		14%		18%
Auto	80,257	22%	65,542	(16%)	78,110
Percentage of Segment Net Sales	14%		14%		14%
Consumer Auto	39,943	—%	40,094	(25%)	53,444
Percentage of Segment Net Sales	12%		15%		15%
Auto OEM	40,314	58%	25,448	3%	24,666
Percentage of Segment Net Sales	16%		14%		14%
Total	**$ 659,986**	**16%**	**$ 570,245**	**10%**	**$ 518,568**
Percentage of Total Net Sales	**13%**		**14%**		**14%**

Selling, general and administrative expense increased 16% in absolute dollars and decreased slightly as a percent of revenue when compared to the prior year. The absolute dollar increase was primarily attributable to personnel related expenses and information technology costs.

Research and Development Expense

Research & Development	52-Weeks Ended December 25, 2021	Year-over-Year Change	52-Weeks Ended December 26, 2020	Year-over-Year Change	52-Weeks Ended December 28, 2019
Fitness	$ 145,500	19%	$ 122,389	12%	$ 109,181
Percentage of Segment Net Sales	9%		9%		10%
Outdoor	129,626	23%	105,021	20%	87,581
Percentage of Segment Net Sales	10%		9%		10%
Aviation	246,050	4%	236,380	8%	219,112
Percentage of Segment Net Sales	35%		38%		30%
Marine	114,604	23%	92,801	13%	82,310
Percentage of Segment Net Sales	13%		14%		16%
Auto	204,244	37%	149,094	39%	107,182
Percentage of Segment Net Sales	35%		32%		20%
Consumer Auto	54,989	15%	47,919	16%	41,301
Percentage of Segment Net Sales	17%		17%		11%
Auto OEM	149,255	48%	101,175	54%	65,881
Percentage of Segment Net Sales	59%		55%		36%
Total	**$ 840,024**	**19%**	**$ 705,685**	**17%**	**$ 605,366**
Percentage of Total Net Sales	**17%**		**17%**		**16%**

Research and development expense increased 19% in absolute dollars and was flat as a percent of revenue when compared to the year-ago period. The absolute dollar increase was primarily due to higher engineering personnel costs across all of our operating segments, which are expected to continue to increase for all segments in fiscal year 2022. The auto increase in absolute dollars and as a percent of revenue was primarily attributable to higher engineering personnel costs driven by ongoing investments in auto OEM programs and a lower proportion of such costs being contractually reimbursable.

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Operating Income

Operating Income	52-Weeks Ended December 25, 2021	Year-over-Year Change	52-Weeks Ended December 26, 2020	Year-over-Year Change	52-Weeks Ended December 28, 2019
Fitness	$ 372,575	17%	$ 318,884	66%	$ 191,858
Percentage of Segment Net Sales	24%		24%		18%
Outdoor	480,777	9%	441,085	32%	334,041
Percentage of Segment Net Sales	38%		39%		36%
Aviation	191,775	40%	137,203	(46%)	252,943
Percentage of Segment Net Sales	27%		22%		34%
Marine	244,199	39%	175,724	60%	109,876
Percentage of Segment Net Sales	28%		27%		22%
Auto	(70,706)	279%	(18,656)	(133%)	56,868
Percentage of Segment Net Sales	(12%)		(4%)		10%
Consumer Auto	45,603	10%	41,464	(34%)	63,299
Percentage of Segment Net Sales	14%		15%		17%
Auto OEM	(116,309)	93%	(60,120)	835%	(6,431)
Percentage of Segment Net Sales	(46%)		(33%)		(4%)
Total	**$ 1,218,620**	**16%**	**$ 1,054,240**	**11%**	**$ 945,586**
Percentage of Total Net Sales	**24%**		**25%**		**25%**

Total operating income increased 16% in absolute dollars and decreased slightly as a percent of revenue when compared to fiscal year 2020. The growth in total operating income on an absolute dollar basis was the result of revenue growth as discussed above. Auto OEM experienced an operating loss in fiscal year 2021, and we expect this trend to continue in 2022, primarily due to relatively lower gross margins and higher expenses associated with certain programs, as described above

Other Income (Expense)

Other Income (Expense)	52-Weeks Ended December 25, 2021	52-Weeks Ended December 26, 2020	52-Weeks Ended December 28, 2019
Interest income	$ 28,573	$ 37,002	$ 52,817
Foreign currency (losses)	(45,263)	2,825	(16,799)
Other income	4,866	9,343	5,618
Total	**$ (11,824)**	**$ 49,170**	**$ 41,636**

The average interest rate returns on cash and investments during the 52-weeks ended December 25, 2021 and December 26, 2020 were 1.0% and 1.4%, respectively. Interest income decreased primarily due to lower yields on fixed-income securities.

Foreign currency gains and losses for the Company are typically driven by movements of a number of currencies in relation to the U.S. Dollar. The Taiwan Dollar is the functional currency of Garmin Corporation, the Euro is the functional currency of several subsidiaries, and the U.S. Dollar is the functional currency of Garmin (Europe) Ltd., although some transactions and balances are denominated in British Pounds. Other notable currency exposures include the Australian Dollar, Chinese Yuan, Japanese Yen, Polish Zloty, and Swiss Franc. 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.

The $45.3 million currency loss recognized in fiscal 2021 was primarily due to the U.S. Dollar strengthening against the Euro, Polish Zloty, Japanese Yen, Swiss Franc, and Australian Dollar, while the U.S. Dollar weakened against the Taiwan Dollar. During fiscal 2021, the U.S. Dollar strengthened 7.3% against the Euro, 9.6% against the Polish Zloty, 9.6% against the Japanese Yen, 3.0% against the Swiss Franc, and 4.7% against the Australian Dollar, resulting in losses of $20.0 million, $6.6 million, $2.6 million, $2.5 million, and $2.4 million, respectively, while the U.S. Dollar weakened 1.6% against the Taiwan Dollar, resulting in a loss of $6.2 million. The remaining net currency loss of $5.0 million was related to the impacts of other currencies, each of which was individually immaterial.

The $2.8 million currency gain recognized in fiscal 2020 was primarily due to the U.S. Dollar weakening against the Euro, Australian Dollar, Chinese Yuan, and British Pound Sterling, partially offset by the U.S. Dollar weakening against the Taiwan Dollar. During fiscal 2020, the U.S. Dollar weakened 9.2% against the Euro, 9.4% against the Australian Dollar, 7.2% against the Chinese Yuan, and 3.6% against the British Pound Sterling, resulting in gains of $21.1 million, $6.5 million, $2.9 million, and $2.6 million, respectively, while the U.S. Dollar weakened 7.1% against the Taiwan Dollar, resulting in a loss of $32.2 million. The remaining net currency gain of $1.9 million was related to the impacts of other currencies, each of which was individually immaterial.

Income Tax Provision

Income tax expense for the fiscal year ended December 25, 2021 was $124.6 million compared to income tax expense of $111.1 million for the fiscal year ended December 26, 2020, representing a net increase of $13.5 million. Contributing to the year-over-year increase in income tax expense in fiscal year 2021 was an increase in income before taxes in the fiscal year ended December 25, 2021 compared to the fiscal year ended December 26, 2020.

Certain Switzerland tax assets related to the October 2019 enactment of Switzerland federal and Schaffhausen cantonal tax reform and related transitional measures were revalued in the fourth quarter of 2020 resulting in $11.0 million income tax expense. In connection with these transitional measures included in Switzerland tax reform, a reduced income tax rate will be utilized on certain Switzerland taxable income for up to five years. The Company also recognized a $14.3 million income tax benefit in fiscal 2020 due to the release of uncertain tax position reserves associated with a 2014 intercompany restructuring. Excluding the aforementioned $11.0 million income tax expense and $14.3 million income tax benefit in fiscal 2020, income tax expense for fiscal year 2020 was $114.4 million.

In February 2020 the Company initiated a transaction between wholly-owned subsidiaries to migrate ownership of certain intellectual property from Switzerland to the United States, the primary location of research, development, and executive management. The migration, which includes a multi-year intercompany license of intellectual property, has resulted in a favorable shift of income mix by jurisdiction and a reduction in expense related to uncertain tax positions. The Company is pursuing an Advance Pricing Agreement between relevant jurisdictions related to this transaction. At the end of the license agreement, a higher percentage of income will be recognized in the United States.

Net Income

As a result of the various factors noted above net income increased 9% to $1,082.2 million from $992.3 million in the prior year.

Liquidity and Capital Resources

As of December 25, 2021, we had approximately $3.1 billion of cash, 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 short- and long-term projected working capital needs, capital expenditures, 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 Company's Board of Directors. 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 rate returns on cash and investments during fiscal 2021 and 2020 were 1.0% and 1.4%, 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 8 for additional information regarding marketable securities.

Cash Flows

Cash provided by operating activities totaled $1,012.4 million for fiscal 2021, compared to $1,135.3 million for fiscal 2020. The decrease was primarily due to higher purchases of inventory, associated with the Company's strategy to increase days of supply to support our increasingly diversified product lines. This was partially offset by higher net income and improved collections of accounts receivable in fiscal 2021. The Company also paid less cash for income taxes in fiscal 2021 compared to fiscal 2020, although cash paid for income taxes is expected to increase in 2022 associated with the effective date of a provision in the U.S. 2017 Tax Cuts and Jobs Act that will require the amortization of deductions for R&D expense to be recognized over five or fifteen years within U.S. tax returns rather than immediately expensing such expense, as was previously allowed.

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Cash used in investing activities totaled $475.4 million for fiscal 2021, compared to $260.5 million for fiscal 2020. This increase was primarily due to higher net purchases of marketable securities in fiscal 2021, as the Company's balance of cash available for investment grew during the year. Capital expenditures were also higher in fiscal 2021 compared to fiscal 2020, as the Company invested more heavily in platforms for growth—a trend that is expected to continue in fiscal 2022. These increases were partially offset by lower net cash paid for acquisitions in fiscal 2021.

Cash used in financing activities totaled $486.7 million for fiscal 2021, compared to $461.8 for fiscal 2020. This increase was primarily due to higher cash dividend payments in fiscal 2021, as our declared dividend increased from $0.61 per share for the four calendar quarters beginning in June 2020 to $0.67 per share for the four calendar quarters beginning in June 2021.

Use of Cash

Operating Leases

The Company has lease arrangements for certain real estate properties, vehicles, and equipment. Leased properties are typically used for office space, distribution, and retail. As of December 25, 2021, the Company had fixed lease payment obligations of $99.5 million, with $23.3 million payable within 12 months.

Inventory Purchase Obligations

The Company obtains various raw materials and components for its products from a variety of third party suppliers. The Company's inventory purchase obligations are primarily noncancelable. As of December 25, 2021, the Company had inventory purchase obligations of $1,093.9 million, with $882.8 million payable within 12 months.

Other Purchase Obligations

The Company's other purchase obligations primarily consist of noncancelable commitments for capital expenditures and other indirect purchases in connection with conducting our business. As of December 25, 2021, the Company had other purchase obligations of $421.6 million, with $185.4 million payable within 12 months.

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, the purchase of raw materials, and the cost of shipping and handling. We strive to offset pricing declines for certain products through obtaining reductions in raw materials costs and the introduction of new products.

Inflation

Our business has at times been impacted by increasing costs. 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 have historically created a majority of the Company's exchange rate exposure are the Taiwan Dollar and Euro. 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 denominated in U.S. Dollars.

Most European subsidiaries use the Euro as the functional currency. The functional currency of our largest European subsidiary, Garmin (Europe) Ltd. is the U.S. Dollar, and as some transactions occur 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.

During fiscal year 2021, the Company incurred a net foreign currency loss of $45.3 million. The U.S. Dollar strengthened against the Euro, Polish Zloty, Japanese Yen, Swiss Franc, and Australian Dollar, while the U.S. Dollar weakened against the Taiwan Dollar. During fiscal 2021, the U.S. Dollar strengthened 7.3% against the Euro, 9.6% against the Polish Zloty, 9.6% against the Japanese Yen, 3.0% against the Swiss Franc, and 4.7% against the Australian Dollar, resulting in losses of $20.0 million, $6.6 million, $2.6 million, $2.5 million, and $2.4 million, respectively, while the U.S. Dollar weakened 1.6% against the Taiwan Dollar, resulting in a loss of $6.2 million. The remaining net currency loss of $5.0 million was related to the impacts of other currencies, each of which was individually immaterial. These and other currency moves during fiscal year 2021 also resulted in a currency translation adjustment of $39.5 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 25, 2021, hypothetical and reasonably possible adverse changes of 10% for the Taiwan Dollar, Euro, Polish Zloty, Japanese Yen, Swiss Franc, and Australian Dollar would have resulted in an adverse impact on income before income taxes of approximately $68 million. Based on monetary assets and liabilities denominated in currencies other than respective functional currencies as of December 26, 2020, 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 $84 million.

Interest Rate Risk

We have no outstanding long-term debt as of December 25, 2021. 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. As of December 25, 2021 and December 26, 2020, the Company had not recognized an allowance for credit losses on any securities in an unrealized loss position.

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 25, 2021 and December 26, 2020, 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 $40 million and $34 million at December 25, 2021 and December 26, 2020, respectively. Such losses would only be realized if the Company sold the investments prior to maturity.

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Item 8. Financial Statements and Supplementary Data

CONSOLIDATED FINANCIAL STATEMENTS

Garmin Ltd. and Subsidiaries
Years Ended December 25, 2021, December 26, 2020, and December 28, 2019

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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 25, 2021 and December 26, 2020, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 25, 2021, 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 25, 2021 and December 26, 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 25, 2021, 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 25, 2021, 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 16, 2022, expressed an unqualified opinion thereon.

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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

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Valuation of Goodwill

Description of the Matter

The Company assigns goodwill acquired in business combinations to its reporting units as of each acquisition date. At December 25, 2021, the Company's goodwill balance related to the consumer auto reporting unit was approximately $80 million. As discussed in Note 2 of the consolidated financial statements, goodwill is tested for impairment at least annually at the reporting unit level. Revenue and profits of the consumer auto reporting unit declined for a number of years through fiscal 2020 as competing technologies emerged and market saturation occurred for certain key products. Considering uncertainty in qualitative factors, management performed a step one quantitative impairment test of the consumer auto reporting unit in the fourth quarter of 2021, and the Company disclosed that in the future some or all of the approximately $80 million of goodwill associated with the consumer auto reporting unit could be at risk of impairment.

Auditing management's annual goodwill impairment test for the consumer auto reporting unit was complex and highly judgmental due to the significant estimation required in determining the fair value of the reporting unit. In particular, the fair value estimate was sensitive to significant assumptions such as the discount rate, projected future revenues, projected future operating margins, and terminal growth rates which are affected by expectations about future market or economic conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's consumer auto goodwill impairment review process. For example, we tested controls over management's review of the significant assumptions (e.g., discount rate, projected revenue growth rates, projected operating margins, terminal growth rates) used to develop the prospective financial information (PFI) for the quantitative analysis. We also tested management's controls to validate that the data used in the valuation was complete and accurate.

To test the estimated fair value of the Company's consumer auto reporting unit, we performed audit procedures that included, among others, assessing the methodology and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We included valuation specialists on our team to review the Company's model, method, and the more sensitive assumptions such as the discount rate and terminal growth assumptions. We compared the significant assumptions used by management to current industry and economic trends, changes to the Company's business model, forecasts used in the Company's annual operating plans and other relevant factors. We assessed the historical accuracy of management's forecast estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the consumer auto reporting unit that would result from changes in the assumptions. We reconciled the fair value of the reporting unit to its carrying value, testing the Company's determination of the assets and liabilities used within the reporting unit that are the basis for the carrying value. In addition, we tested management's reconciliation of the fair value of the reporting units to the market capitalization of the Company.

Measurement of Reserve for Unrecognized Income Tax Benefit

Description of the Matter

The Company accounts for uncertainty in income taxes in accordance with the FASB ASC 740 topic, *Income Taxes*. The Company operates in a multinational tax environment and is subject to tax laws, regulations and guidelines for intercompany transactions that have transfer pricing subjectivity. The Company uses significant judgment to evaluate uncertain tax positions and determine whether the threshold for recognition has been met and to measure the largest amount of benefit that is more likely than not to be realized upon ultimate settlement. As discussed in Note 6 to the consolidated financial statements, the Company's balance of gross unrecognized income tax benefits was $65 million at December 25, 2021, primarily related to transfer pricing positions.

Auditing management's assessment and measurement of material tax positions is complex and involved especially subjective and complex judgements. The assessment process involves both significant judgment to evaluate each position against the recognition threshold and estimation because the pricing of the intercompany transactions is based on pricing analyses that may produce a number of different outcomes or ranges of outcomes (e.g., the price that would be charged in an arm's-length transaction). Each transfer pricing tax position carries unique facts and circumstances that must be evaluated, and ultimate resolution will be dependent on uncontrollable factors, such as the interpretation of laws and regulations; new case law; the willingness of the income tax authority to settle the issue, including the timing thereof; and other factors.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls that address the risks of material misstatement relating to the identification, assessment, measurement and valuation of uncertain tax positions related to transfer pricing from intercompany transactions. For example, we tested controls over management's review of intercompany transfer pricing positions against the measurement criteria, review of inputs and calculations of these uncertain tax positions, which included management's evaluation of the ranges of outcomes and pricing conclusions reached within the transfer pricing studies.

Our audit procedures included, among others, involving our tax professionals to test the Company's assessment and measurement of tax positions related to transfer pricing used in intercompany transactions to assess the appropriateness of the ranges of outcomes utilized and the pricing conclusions reached within the transfer pricing studies conducted by the Company. For example, we compared the transfer pricing methodology utilized by management to alternative methodologies and industry benchmarks. We also verified our understanding of the relevant facts by reading the Company's correspondence with the relevant tax authorities and any third-party advice obtained by the Company. In addition, we used our knowledge of international and local income tax laws, as well as historical settlement activity from income tax authorities, to evaluate the appropriateness of the Company's measurement of uncertain tax positions related to transfer pricing used in these intercompany transactions.

Ernst & Young LLP

We have served as the Company's auditor since 1990.
Kansas City, Missouri
February 16, 2022

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

	December 25, 2021	December 26, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 1,498,058	$ 1,458,442
Marketable securities *(Note 3)*	347,980	387,642
Accounts receivable, less allowance for doubtful accounts of $7,080 in 2021 and $11,086 in 2020	843,445	849,469
Inventories	1,227,609	762,084
Deferred costs	15,961	20,145
Prepaid expenses and other current assets	328,719	191,569
Total current assets	4,261,772	3,669,351
Property and equipment, net *(Note 2)*	1,067,478	855,539
Operating lease right-of-use assets *(Note 14)*	89,457	94,626
Noncurrent marketable securities *(Note 3)*	1,268,698	1,131,175
Deferred income tax assets *(Note 6)*	260,205	245,455
Noncurrent deferred costs	12,361	16,510
Intangible assets, net	791,073	828,566
Other noncurrent assets	103,383	190,151
Total assets	$ 7,854,427	$ 7,031,373
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 370,048	$ 258,885
Salaries and benefits payable	211,371	181,937
Accrued warranty costs	45,467	42,643
Accrued sales program costs	121,514	109,891
Other accrued expenses	225,988	181,767
Deferred revenue	87,654	86,865
Income taxes payable	128,083	68,585
Dividend payable	258,023	233,644
Total current liabilities	1,448,148	1,164,217
Deferred income tax liabilities *(Note 6)*	117,595	116,844
Noncurrent income taxes payable	62,539	92,810
Noncurrent deferred revenue	41,618	49,934
Noncurrent operating lease liabilities	70,044	75,958
Other noncurrent liabilities	324	15,494
Stockholders' equity:		
Shares, CHF 0.10 par value, 198,077 shares authorized and issued, 192,608 shares outstanding at December 25, 2021; and 191,571 shares outstanding at December 26, 2020; *(Notes 9, 10, and 11)*	17,979	17,979
Additional paid-in capital	1,960,722	1,880,354
Treasury stock	(303,114)	(320,016)
Retained earnings	4,320,737	3,754,372
Accumulated other comprehensive income	117,835	183,427
Total stockholders' equity	6,114,159	5,516,116
Total liabilities and stockholders' equity	$ 7,854,427	$ 7,031,373

See accompanying notes.

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

	Fiscal Year Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Net sales	$ 4,982,795	$ 4,186,573	$ 3,757,505
Cost of goods sold	2,092,336	1,705,237	1,523,529
Gross profit	2,890,459	2,481,336	2,233,976
Advertising expense	171,829	151,166	164,456
Selling, general and administrative expenses	659,986	570,245	518,568
Research and development expense	840,024	705,685	605,366
Total operating expense	1,671,839	1,427,096	1,288,390
Operating income	1,218,620	1,054,240	945,586
Other income (expense):			
Interest income	28,573	37,002	52,817
Foreign currency (losses) gains	(45,263)	2,825	(16,799)
Other income	4,866	9,343	5,618
Total other income (expense)	(11,824)	49,170	41,636
Income before income taxes	1,206,796	1,103,410	987,222
Income tax provision (benefit): *(Note 6)*			
Current	130,040	104,471	123,073
Deferred	(5,444)	6,615	(88,337)
Total income tax provision (benefit)	124,596	111,086	34,736
Net income	$ 1,082,200	$ 992,324	$ 952,486
Basic net income per share *(Note 10)*	$ 5.63	$ 5.19	$ 5.01
Diluted net income per share *(Note 10)*	$ 5.61	$ 5.17	$ 4.99

See accompanying notes.

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

	Fiscal Year Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Net income	$ 1,082,200	$ 992,324	$ 952,486
Foreign currency translation adjustment	(39,538)	107,664	7,962
Change in fair value of available-for-sale marketable securities, net of deferred taxes	(26,054)	19,889	39,482
Comprehensive income	$ 1,016,608	$ 1,119,877	$ 999,930

See accompanying notes.

Garmin Ltd. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(In thousands, except per share information)

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 29, 2018	$ 17,979	$1,823,638	$ (397,692)	$2,710,619	$ 8,430	$4,162,974
Net income	—	—	—	952,486	—	952,486
Translation adjustment	—	—	—	—	7,962	7,962
Adjustment related to unrealized gains (losses) on available-for-sale securities net of income tax effects of $5,982	—	—	—	—	39,482	39,482
Comprehensive income						999,930
Dividend declared ($2.28 per share)	—	—	—	(434,044)	—	(434,044)
Issuance of treasury stock related to equity awards	—	(51,416)	78,538	—	—	27,122
Stock compensation	—	63,400	—	—	—	63,400
Purchase of treasury stock related to equity awards	—	—	(25,886)	—	—	(25,886)
Balance at December 28, 2019	$ 17,979	$1,835,622	$ (345,040)	$3,229,061	$ 55,874	$4,793,496
Net income	—	—	—	992,324	—	992,324
Translation adjustment	—	—	—	—	107,664	107,664
Adjustment related to unrealized gains (losses) on available-for-sale securities net of income tax effects of $3,157	—	—	—	—	19,889	19,889
Comprehensive income						1,119,877
Dividend declared ($2.44 per share)	—	—	—	(467,013)	—	(467,013)
Issuance of treasury stock related to equity awards	—	(36,153)	51,354	—	—	15,201
Stock compensation	—	80,885	—	—	—	80,885
Purchase of treasury stock related to equity awards	—	—	(26,330)	—	—	(26,330)
Balance at December 26, 2020	$ 17,979	$1,880,354	$ (320,016)	$3,754,372	$ 183,427	$5,516,116
Net income	—	—	—	1,082,200	—	1,082,200
Translation adjustment	—	—	—	—	(39,538)	(39,538)
Adjustment related to unrealized gains (losses) on available-for-sale securities net of income tax effects of $6,568	—	—	—	—	(26,054)	(26,054)
Comprehensive income						1,016,608
Dividend declared ($2.68 per share)	—	—	—	(515,835)	—	(515,835)
Issuance of treasury stock related to equity awards	—	(12,154)	47,887	—	—	35,733
Stock compensation	—	92,522	—	—	—	92,522
Purchase of treasury stock related to equity awards	—	—	(30,985)	—	—	(30,985)
Balance at December 25, 2021	$ 17,979	$1,960,722	$ (303,114)	$4,320,737	$ 117,835	$6,114,159

See accompanying notes.

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

	Fiscal Year Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Operating Activities:			
Net income	$ 1,082,200	$ 992,324	$ 952,486
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	103,498	78,121	71,921
Amortization	51,320	48,594	34,254
Loss (gain) on sale of property and equipment	298	(1,799)	(233)
Unrealized foreign currency losses (gains)	36,385	(9,873)	18,663
Deferred income taxes	(5,368)	6,931	(88,358)
Stock compensation expense	92,522	80,885	63,400
Realized gains on marketable securities	(622)	(1,392)	(799)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable, net of allowance for doubtful accounts	(19,106)	(108,859)	(123,401)
Inventories	(476,454)	28,726	(170,169)
Other current and noncurrent assets	(38,004)	(33,690)	(86,073)
Accounts payable	108,946	1,447	26,192
Other current and noncurrent liabilities	70,007	87,761	36,660
Deferred revenue	(7,377)	(25,211)	(11,032)
Deferred costs	8,288	11,973	9,335
Income taxes	5,894	(20,671)	(34,297)
Net cash provided by operating activities	1,012,427	1,135,267	698,549
Investing activities:			
Purchases of property and equipment	(307,645)	(185,401)	(118,031)
Proceeds from sale of property and equipment	35	1,977	529
Purchase of intangible assets	(1,942)	(2,065)	(2,377)
Purchase of marketable securities	(1,508,712)	(1,052,640)	(789,352)
Redemption of marketable securities	1,363,070	1,126,253	758,774
Acquisitions, net of cash acquired	(20,175)	(148,648)	(300,289)
Net cash used in investing activities	(475,369)	(260,524)	(450,746)
Financing activities:			
Dividends	(491,457)	(450,631)	(417,264)
Proceeds from issuance of treasury stock related to equity awards	35,733	15,201	27,122
Purchase of treasury stock related to equity awards	(30,985)	(26,330)	(25,886)
Net cash used in financing activities	(486,709)	(461,760)	(416,028)
Effect of exchange rate changes on cash and cash equivalents	(10,254)	18,127	(5,942)
Net increase (decrease) in cash, cash equivalents, and restricted cash	40,095	431,110	(174,167)
Cash, cash equivalents, and restricted cash at beginning of year	1,458,748	1,027,638	1,201,805
Cash, cash equivalents, and restricted cash at end of year	$ 1,498,843	$ 1,458,748	$ 1,027,638

See accompanying notes.

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

	Fiscal Year Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Supplemental disclosures of cash flow information			
Cash paid during the year for income taxes	$ 131,040	$ 133,057	$ 160,286
Cash received during the year from income tax refunds	$ 8,264	$ 4,820	$ 6,063
Supplemental disclosure of non-cash investing and financing activities			
Increase (decrease) in accrued capital expenditures related to purchases of property and equipment	$ 9,541	$ (4,192)	$ 2,821
Change in marketable securities related to unrealized (depreciation) appreciation	$ (32,622)	$ 23,045	$ 45,464
Fair value of assets acquired	$ 20,956	$ 165,082	$ 354,631
Liabilities assumed	(764)	(14,884)	(25,507)
Less: cash acquired	(17)	(1,550)	(28,835)
Cash paid for acquisitions, net of cash acquired	$ 20,175	$ 148,648	$ 300,289

See accompanying notes.

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1. Description of the Business

Garmin Ltd. and subsidiaries (collectively, the "Company" or "Garmin") 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 and services. 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 primarily 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. Certain prior period amounts have been reclassified or presented to conform to 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 years) 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 2021, 2020, and 2019 each included 52 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 $123,415 and $162,953 as of December 25, 2021 and December 26, 2020, 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 $45,263 for the year ended December 25, 2021, net foreign currency gains recorded in results of operations were $2,825 for the year ended December 26, 2020, and net foreign currency losses recorded in results of operations were $16,799 for the year ended December 28, 2019. The loss in fiscal 2021 was primarily due to the U.S. Dollar strengthening against the Euro, Polish Zloty, Japanese Yen, Swiss Franc, and Australian Dollar, while the U.S. Dollar weakened against the Taiwan Dollar. The gain in fiscal 2020 was primarily due to the U.S. Dollar weakening against the Euro, Australian Dollar, Chinese Yuan, and British Pound Sterling, partially offset by the U.S. Dollar weakening against the Taiwan Dollar. The loss in fiscal 2019 was primarily driven by the U.S. Dollar strengthening against the Euro and weakening against the Taiwan Dollar, which was partially offset by the U.S. Dollar weakening against the British Pound Sterling.

Garmin Corporation, one of the Company's principal subsidiaries, is located in Taiwan. The Taiwan Foreign Exchange Control Statute (the "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, so the Statute does not impose any significant restrictions on import or export activities involving foreign currencies in Taiwan. Non-trade related currency exchanges exceeding $50 million, or its equivalent, in a calendar year require approval of the CBC.

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 of the Notes to Consolidated Financial Statements.

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 within other noncurrent assets on the Consolidated Balance Sheets. See Note 4 of the Notes to Consolidated Financial Statements for additional information on restricted cash.

The total of the cash and cash equivalents balance and the restricted cash reported within other noncurrent assets on the Consolidated Balance Sheet reconciles to the total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows.

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Trade Accounts Receivable

The Company sells its products to retailers, wholesalers, and other customers and grants credit to certain customers based on its evaluation of the customers' financial condition. Generally, the Company does not require security when trade credit is granted to customers. The Company's trade accounts receivable are carried at net realizable value, typically are collected within 90 days, and do not bear interest. 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. Credit losses are provided for in the Company's consolidated financial statements and typically have been within management's expectations. Past due receivable balances are typically written off when internal collection efforts have been unsuccessful in collecting the amount due. The Company maintains trade credit insurance to provide some security against certain losses within policy limits.

Concentration of Credit Risk

The Company's top ten customers have contributed between 20% and 23% of net sales annually since 2019. Amazon.com, Inc. and its affiliates (Amazon), a customer of the fitness, outdoor, marine, and consumer auto segments, is our largest customer and accounted for approximately 10% of our consolidated net sales in the fiscal year ended December 25, 2021. No other customer accounted for 10% or more of Garmin's consolidated net sales in fiscal 2021. None of the Company's customers accounted for 10% or more of consolidated net sales in the years ended December 26, 2020, and December 28, 2019.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost includes materials, labor, and manufacturing overhead associated with purchases and production and is 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 25, 2021	December 26, 2020
Raw materials	$ 509,435	$ 282,287
Work-in-process	213,801	147,821
Finished goods	504,373	331,976
Inventories	$ 1,227,609	$ 762,084

Property and Equipment

Property and equipment is recorded at cost and typically depreciated using the straight-line method. The components of property and equipment were as follows and are generally depreciated over the following estimated useful lives:

	Estimated Useful Life	December 25, 2021	December 26, 2020
Land		$ 206,895	$ 124,654
Building and improvements	15 to 50 years	763,654	662,753
Machinery, equipment and software	3 to 10 years	917,557	800,410
Total, at cost		1,888,106	1,587,817
Accumulated depreciation		(820,628)	(732,278)
Property and equipment, net		$ 1,067,478	$ 855,539

As required by the *Property, Plant and Equipment* topic of the FASB ASC (ASC Topic 360), the Company reviews long-lived assets, including property and equipment, 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. The Company did not recognize any material long-lived asset impairment charges in the fiscal years of 2021, 2020, or 2019.

Intangible Assets

At December 25, 2021, and December 26, 2020, the Company had patents, customer related intangibles and other identifiable finite-lived intangible assets recorded at a cost of $524,566 and $523,990, 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 $308,572 and $279,633 at December 25, 2021 and December 26, 2020, respectively. Amortization expense on these intangible assets was $35,540, $34,797, and $26,225 for the years ended December 25, 2021, December 26, 2020, and December 28, 2019, respectively. In the next five years, the amortization expense is estimated to be $31,717, $29,649, $26,913, $24,376, and $21,257, respectively. The Company also reviews finite-lived intangible assets for impairment in accordance with ASC Topic 360, as described above, whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be fully recoverable.

The Company's excess purchase cost over fair value of net assets acquired (goodwill) was $575,080 at December 25, 2021, and $584,210 at December 26, 2020. Changes in the carrying amount of goodwill for the years ended December 25, 2021 and December 26, 2020 are as follows:

	Fitness	Outdoor	Aviation	Marine	Auto	Total
Goodwill balance as of December 28, 2019	$ 192,758	$ 55,934	$ 60,571	$ 79,480	$ 78,365	$ 467,108
Acquisitions	59,728	29,771	—	—	—	89,499
Foreign currency translation and other adjustments	19,963	2,953	(224)	3,122	1,789	27,603
Goodwill balance as of December 26, 2020	$ 272,449	$ 88,658	$ 60,347	$ 82,602	$ 80,154	$ 584,210
Acquisitions	—	14,152	—	—	—	14,152
Foreign currency translation and other adjustments	(16,577)	(2,416)	—	(2,696)	(1,593)	(23,282)
Goodwill balance as of December 25, 2021	$ 255,872	$ 100,394	$ 60,347	$ 79,906	$ 78,561	$ 575,080

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 assessed for impairment at least annually or sooner whenever events or changes in circumstances indicate that they may be impaired. The Company performs its annual impairment assessments of goodwill and indefinite-lived intangible assets, if any, in the fourth quarter of each year, as of the Company's fiscal year end date.

ASC Topic 350 allows management to first perform a qualitative goodwill assessment 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. 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 quantitative test will be performed. If the fair value of the reporting unit is less than the carrying amount, then a goodwill impairment charge will be recognized in the amount by which carrying amount exceeds fair value, limited to the total amount of goodwill allocated to that reporting unit. Each of the Company's operating segments (fitness, outdoor, aviation, marine, consumer auto, and auto OEM) represents a distinct reporting unit, and goodwill impairment assessments are therefore performed at that level.

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Revenue and profits of the consumer auto reporting unit declined for a number of years through fiscal 2020, as competing technologies emerged and market saturation occurred for certain key products. Revenue and profit of the consumer auto reporting unit increased in fiscal 2021, but considering uncertainty in qualitative factors, management performed a quantitative impairment test of the consumer auto reporting unit in the fourth quarter of 2021. Consistent with the results of the quantitative assessment performed in 2020, the quantitative assessment indicated again in 2021 that the fair value of the reporting unit was substantially in excess of its carrying amount. Considering the results of the assessment, recent trends, and future projections, management does not believe the goodwill associated with the consumer auto reporting unit is currently at risk of impairment. However, there is no assurance that the Company will continue to generate profits from the consumer auto segment, and in the future some or all of the goodwill associated with the consumer auto reporting unit could be at risk of impairment.

Management also concluded that no goodwill associated with other reporting units is currently at risk of impairment based on qualitative assessments performed in 2021. The Company did not recognize any material goodwill or intangible asset impairment charges in fiscal years 2021, 2020, or 2019.

Leases

The Company leases certain real estate properties, vehicles, and equipment in various countries around the world. Leased properties are typically used for office space, distribution, and retail. The Company's leases are classified as operating leases with remaining terms of 1 to 32 years, some of which include an option to extend or renew. If the exercise of an option to extend or renew is determined to be reasonably certain, the associated right-of-use asset and lease liability reflects the extended period and payments. For newly signed leases, the right-of-use asset and lease liability is recognized on lease commencement date. Variable lease costs, such as adjustments to payments based on consumer price indices, are excluded in the recognition of right-of-use assets and lease liabilities. For all real estate leases, any non-lease components, including common area maintenance, have been separated from lease components and excluded from the associated right-of-use asset and lease liability calculations. For all equipment and vehicle leases, an accounting policy election has been made to not separate lease and non-lease components.

Leases with an initial term of 12 months or less ("short-term leases") are not recognized on the Company's Consolidated Balance Sheets as a right-of-use asset or lease liability.

Dividends

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

On June 4, 2021, the shareholders approved a dividend of $2.68 per share (of which, $1.34 was paid in the Company's 2021 fiscal year) payable in four equal installments on dates determined by the Board of Directors. The dates determined by the Board were as follows:

Dividend Date	Record Date	$s per share
June 30, 2021	June 15, 2021	$ 0.67
September 30, 2021	September 15, 2021	$ 0.67
December 31, 2021	December 15, 2021	$ 0.67
March 31, 2022	March 15, 2022	$ 0.67

The Company paid dividends in 2021 in the amount of $491,457, 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 5, 2020, the shareholders approved a dividend of $2.44 per share (of which, $1.22 was paid in the Company's 2020 fiscal year) payable in four equal installments on dates determined by the Board of Directors. The dates determined by the Board were as follows:

Dividend Date	Record Date	$s per share
June 30, 2020	June 15, 2020	$ 0.61
September 30, 2020	September 15, 2020	$ 0.61
December 31, 2020	December 15, 2020	$ 0.61
March 31, 2021	March 15, 2021	$ 0.61

The Company paid dividends in 2020 in the amount of $450,631, 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 7, 2019, the shareholders approved a dividend of $2.28 per share (of which, $1.14 was paid in the Company's 2019 fiscal year) payable in four equal installments on dates determined by the Board of Directors. The dates determined by the Board were as follows:

Dividend Date	Record Date	$s per share
June 28, 2019	June 17, 2019	$ 0.57
September 30, 2019	September 16, 2019	$ 0.57
December 31, 2019	December 16, 2019	$ 0.57
March 31, 2020	March 16, 2020	$ 0.57

The Company paid dividends in 2019 in the amount of $417,264, 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.

Approximately $61,129 of retained earnings was indefinitely restricted from distribution to stockholders pursuant to the laws of Taiwan as of December 25, 2021 and December 26, 2020.

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 25, 2021. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive income on the Company's Consolidated Balance Sheets. At December 25, 2021, cumulative unrealized losses of $5,580 were reported in accumulated other comprehensive income, net of related taxes. At December 26, 2020, cumulative unrealized net gains of $20,474 were reported in accumulated other comprehensive income, net of related taxes.

The Company recognizes impairments relating to credit losses of available-for-sale securities through an allowance for credit losses and other income (expense) on the Company's Consolidated Statements of Income. Impairment not relating to credit losses is recorded in other comprehensive income (loss) on the Company's Consolidated Balance Sheets.

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 relating to credit losses 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.

In making this assessment we evaluate the extent to which the fair value is less than the amortized cost basis, any change in credit rating of the security, adverse conditions specifically related to the security, failure of the issuer to make scheduled payments, and other relevant factors affecting the security. If it is determined that a credit loss exists, the amount of the credit loss is determined by comparing the present value of the expected future cash flows for the security to the amortized cost basis of the security, limited by the amount that the fair value is less than the amortized cost basis.

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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 and realized gains/losses are recorded within Interest income and other income (expense), respectively, on the Company's Consolidated Statements of 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 results 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 to which the Company expects to be entitled 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 such services have been identified 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.

The Company allocates revenue to all performance obligations associated with tangible products containing separately identifiable ongoing services based on the respective performance obligations' 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 map updates and server-based traffic services. In addition, the Company provides map update services (map care) over a contractual period in certain hardware and software contracts with original automotive equipment manufacturers (OEMs). The Company has determined that directly observable prices do not exist for map updates, 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 map updates, map care, and traffic performance obligations. The revenue and associated costs allocated to map updates, map care, and 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 efforts related to providing these services are generally 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 aviation database subscriptions, incremental navigation and communication service subscriptions, mobile applications, and extended warranties that are recognized over the contractual service period (typically 1-3 years).

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 the Company obtains proof of a distinct advertising service, in which case the incentive is recorded 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.

Deferred Revenues and Costs

At December 25, 2021 and December 26, 2020, the Company had deferred revenues totaling $129,272 and $136,799, respectively, and related deferred costs totaling $28,322 and $36,655, 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 license fees 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 license fees 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 expensed at the approximate time of sale. 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, which may result in decreased gross profit. The following reconciliation presents details of the changes in the Company's accrued warranty costs:

	Fiscal Year Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Balance - beginning of period	$ 42,643	$ 39,758	$ 38,276
Accrual for products sold [1]	69,810	67,028	58,092
Expenditures	(66,986)	(64,143)	(56,610)
Balance - end of period	$ 45,467	$ 42,643	$ 39,758

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

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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.

See Note 4 of the Notes to Consolidated Financial Statements for additional information on contingencies.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense amounted to approximately $171,829, $151,166, and $164,456 for the years ended December 25, 2021, December 26, 2020, and December 28, 2019, 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 $840,024, $705,685, and $605,366 for the years ended December 25, 2021, December 26, 2020, and December 28, 2019, respectively.

Preproduction Costs Related to Long-Term Supply Arrangements

Preproduction design and development costs related to long-term supply arrangements are expensed as incurred, and classified as research and development, unless the customer has provided a contractual guarantee for reimbursement of such costs. Contractually reimbursable costs are capitalized as incurred in the Consolidated Balance Sheets within prepaid expenses and other current assets if reimbursement is expected to be received within one year, or within other noncurrent assets if expected to be received beyond one year. Such capitalized costs were approximately $67,349 and $63,610 as of December 25, 2021 and December 26, 2020, 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 three 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.

Excess tax benefits or deficiencies from stock-based compensation are recognized in the income tax provision and are not estimated in the effective tax rate, rather, are recorded as discrete tax items in the period they occur. Excess income tax benefits from stock-based compensation arrangements are classified as a cash flow from operations.

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

Recently Adopted Accounting Standards

Financial Instruments – Credit Losses

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 changed how entities assess and measure credit losses of certain financial instruments, including available-for-sale securities and accounts receivable. The Company adopted the new standard as of the beginning of the 2020 fiscal year. The adoption of the standard did not have a material impact on the Company's consolidated financial statements.

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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 shortened the amortization period for certain callable debt securities held at a premium, requiring the premium to be amortized to the earliest call date. The Company adopted the new standard as of the beginning of the 2020 fiscal year. The adoption of the standard did not have a material impact on the Company's consolidated financial statements.

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.

The Company adopted the new lease standard as of the beginning of the 2019 fiscal year using the optional transition method. The Company did not have a cumulative effect adjustment to retained earnings as a result of adopting the new lease standard, and adoption of the standard did not have a material impact on the Company's Consolidated Statements of Income or Consolidated Statements of Cash Flows. The Company elected the package of transitional practical expedients upon adoption which, among other provisions, allowed the Company to carry forward historical lease classification. See Note 14 – Leases for additional information regarding leases.

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 removed "step two" of the goodwill impairment test, such that a goodwill impairment charge is now the amount by which a reporting unit's carrying value exceeds its fair value. ASU 2017-04 is applied prospectively and was effective for fiscal years, or any goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption was permitted for any impairment tests performed after January 1, 2017. The Company early adopted ASU 2017-04 in the fourth quarter of the year ended December 28, 2019. The adoption did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

We do not expect any recently issued accounting pronouncements not yet adopted to have a material impact on the Company's consolidated financial statements, accounting policies, processes, or systems upon adoption.

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 the identical asset 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.

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

		Available-For-Sale Securities as of December 25, 2021			
	Fair Value Level	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	Level 2	$ —	$ —	$ —	$ —
Agency securities	Level 2	7,000	—	(110)	6,890
Mortgage-backed securities	Level 2	149,692	257	(880)	149,069
Corporate securities	Level 2	1,079,390	9,830	(11,827)	1,077,393
Municipal securities	Level 2	356,037	1,870	(4,864)	353,043
Other	Level 2	31,134	22	(873)	30,283
Total		**$1,623,253**	**$ 11,979**	**$ (18,554)**	**$1,616,678**

		Available-For-Sale Securities as of December 26, 2020			
	Fair Value Level	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	Level 2	$ 400	$ 6	$ —	$ 406
Agency securities	Level 2	5,954	56	—	6,010
Mortgage-backed securities	Level 2	239,445	1,051	(1,923)	238,573
Corporate securities	Level 2	984,696	25,962	(1,637)	1,009,021
Municipal securities	Level 2	214,515	3,644	(223)	217,936
Other	Level 2	47,760	167	(1,056)	46,871
Total		**$1,492,770**	**$ 30,886**	**$ (4,839)**	**$1,518,817**

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.

Accrued interest receivable, which totaled $10,988 as of December 25, 2021, is excluded from both the fair value and amortized cost basis of available-for-sale securities and is included within prepaid expenses and other current assets on the Company's Consolidated Balance Sheets. The Company writes off impaired accrued interest on a timely basis, generally within 30 days of the due date, by reversing interest income. No accrued interest was written off during the 52-week period ended December 25, 2021.

The Company recognizes impairments relating to credit losses of available-for-sale securities through an allowance for credit losses and other income (expense) on the Company's Consolidated Statements of Income. Impairment not relating to credit losses is recorded in accumulated other comprehensive income (loss) on the Company's Consolidated Balance Sheets. The cost of securities sold is based on the specific identification method. Approximately 51% of securities in our portfolio were at an unrealized loss position at December 25, 2021.

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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 25, 2021 and December 26, 2020.

	As of December 25, 2021					
	Less than 12 Consecutive Months		12 Consecutive Months or Longer		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ —	$ —	$ —	$ —	$ —	$ —
Agency securities	(110)	6,890	—	—	(110)	6,890
Mortgage-backed securities	(148)	18,909	(732)	7,598	(880)	26,507
Corporate securities	(9,466)	499,084	(2,361)	85,033	(11,827)	584,117
Municipal securities	(4,247)	226,009	(617)	29,405	(4,864)	255,414
Other	(467)	17,845	(406)	7,205	(873)	25,050
Total	**$ (14,438)**	**$ 768,737**	**$ (4,116)**	**$ 129,241**	**$ (18,554)**	**$ 897,978**

	As of December 26, 2020					
	Less than 12 Consecutive Months		12 Consecutive Months or Longer		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ —	$ —	$ —	$ —	$ —	$ —
Agency securities	—	—	—	—	—	—
Mortgage-backed securities	(1,849)	85,688	(74)	2,122	(1,923)	87,810
Corporate securities	(1,065)	199,187	(572)	8,625	(1,637)	207,812
Municipal securities	(223)	50,403	—	—	(223)	50,403
Other	(726)	22,600	(330)	3,426	(1,056)	26,026
Total	**$ (3,863)**	**$ 357,878**	**$ (976)**	**$ 14,173**	**$ (4,839)**	**$ 372,051**

As of December 25, 2021 and December 26, 2020, the Company had not recognized an allowance for credit losses on any securities in an unrealized loss position.

The Company has not recorded an allowance for credit losses and charge to other income for the unrealized losses on agency, mortgage-backed, corporate, municipal, and other securities presented above because we do not consider the declines in fair value to have resulted from credit losses. We have not observed a significant deterioration in credit quality of these securities, which are highly rated with moderate to low credit risk. Declines in value are largely attributable to current global economic conditions. The securities continue to make timely principal and interest payments, and the fair values are expected to recover as they approach maturity. The Company does not intend to sell the securities, and it is not more likely than not that the Company will be required to sell the securities, before the respective recoveries of their amortized cost bases, which may be maturity.

The amortized cost and fair value of marketable securities at December 25, 2021, by maturity, are shown below.

	Amortized Cost	Fair Value
Due in one year or less	$ 346,377	$ 347,980
Due after one year through five years	1,236,333	1,229,328
Due after five years through ten years	37,443	36,571
Due after ten years	3,100	2,799
Total	**$ 1,623,253**	**$ 1,616,678**

4. Commitments and Contingencies

Commitments

The Company is party to certain commitments that require the future purchase of goods or services ("unconditional purchase obligations"). The Company's unconditional purchase obligations primarily consist of payments for inventory, capital expenditures, and other indirect purchases in connection with conducting our business. The aggregate amount of purchase orders and other commitments open as of December 25, 2021 that may represent noncancellable unconditional purchase obligations having a remaining term in excess of one year was approximately $371,000.

Certain cash balances are held as collateral in relation to bank guarantees. The total amount of restricted cash was $785 and $306 on December 25, 2021 and December 26, 2020, respectively.

Contingencies

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 25, 2021. 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 25, 2021, December 26, 2020, and December 28, 2019 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

Certain subsidiaries of the Company sponsor various defined contribution employee retirement plans. GII and the Company's other U.S.-based subsidiaries sponsor a 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 25, 2021, December 26, 2020, and December 28, 2019, expense related to this and other defined contribution plans of $71,262, $63,908, and $55,456, respectively, was recorded within the Company's Consolidated Statements of Income.

Certain of the Company's non-U.S. subsidiaries sponsor or participate in local defined benefit pension plans. The obligations, contributions, and associated expense of such plans for the years ended December 25, 2021, December 26, 2020, and December 28, 2019 were not material.

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6. Income Taxes

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

	Fiscal Year Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
U.S. federal:			
Current	$ (13,096)	$ (25,220)	$ 32,874
Deferred	(42,625)	(7,115)	20,388
	$ (55,721)	$ (32,335)	$ 53,262
U.S. state:			
Current	$ (5,876)	$ (3,931)	$ 12,605
Deferred	(8,132)	2,715	831
	$ (14,008)	$ (1,216)	$ 13,436
Foreign:			
Current	$ 149,012	$ 133,622	$ 77,594
Deferred	45,313	11,015	(109,556)
	$ 194,325	$ 144,637	$ (31,962)
Total	$ 124,596	$ 111,086	$ 34,736

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 25, 2021	December 26, 2020	December 28, 2019
Federal income tax expense at U.S. statutory rate	$ 253,429	$ 231,718	$ 207,317
State income tax (benefit) expense, net of federal tax effect	(12,198)	(3,404)	7,827
Foreign-derived intangible income (FDII) deduction	—	—	(4,966)
Foreign tax rate differential	(117,586)	(98,130)	(57,302)
Other foreign taxes less incentives and credits	29,240	3,446	6,360
Withholding tax	22,992	17,026	32,162
Net change in uncertain tax positions	(17,087)	(21,391)	(17,259)
U.S. federal research and development credit	(22,764)	(21,342)	(19,338)
Share-based compensation	(6,362)	(6,114)	(6,169)
Switzerland tax reform - tax assets	(177)	11,016	(117,989)
Other, net	(4,891)	(1,739)	4,093
Income tax expense (benefit)	$ 124,596	$ 111,086	$ 34,736

The Company recorded income tax expense of $124,596 in the year ended December 25, 2021. The Company recorded income tax expense of $111,086 in the year ended December 26, 2020, which included a $14,308 income tax benefit recognized by the Company in the second quarter of 2020 due to the release of uncertain tax position reserves associated with a 2014 intercompany restructuring and was partially offset by income tax expense of $11,016 recognized by the Company in the fourth quarter of 2020 related to the revaluation of certain Switzerland tax assets related to the Switzerland tax reform transitional measures. The Company recorded income tax expense of $34,736 in the year ended December 28, 2019, which included an income tax benefit of $117,989 related to the revaluation and step-up of certain Switzerland tax assets as a result of the October 2019 enactment of Switzerland federal and Schaffhausen cantonal tax reform and related transitional measures.

The Company's statutory federal and cantonal income tax rate in Switzerland, the Company's place of incorporation, was 14.03% in fiscal years 2021 and 2020. If the Company reconciled taxes at the Swiss holding company federal statutory tax rate to the reported income tax expense for 2021 as presented above, the amounts related to tax at the statutory rate would be approximately $84,000 lower, or $169,000, and the foreign tax rate differential would be adjusted by a similar amount to approximately $28,000. For 2020, the amounts related to tax at the statutory rate would be approximately $77,000 lower, or $155,000, and the foreign tax rate differential would be adjusted by a similar amount to approximately $20,000. The Company's statutory federal income tax rate in Switzerland in 2019 was 7.83%. For 2019, the amounts related to tax at the statutory rate would be approximately $130,000 lower, or $77,000, and the foreign tax rate differential would be adjusted by a similar amount to approximately $73,000. All other amounts would remain substantially unchanged.

The Company's income before income taxes attributable to non-U.S. operations was $1,227,666, $1,059,074, and $606,711, for the years ended December 25, 2021, December 26, 2020, and December 28, 2019, respectively.

Income taxes of $50,127, $47,236, and $35,982 at December 25, 2021, December 26, 2020, and December 28, 2019, 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 25, 2021	December 26, 2020
Deferred tax assets:		
Product warranty accruals	$ 10,578	$ 10,500
Allowance for doubtful accounts	3,779	4,874
Inventory	—	7,211
Sales program allowances	1,187	1,289
Reserve for sales returns	1,745	2,196
Accrued vacation	14,073	11,438
Other accruals	7,379	10,587
Share-based compensation	12,000	10,201
Tax credit carryforwards	24,508	18,523
Intangible assets	227,295	212,695
Net operating losses	9,069	5,566
Benefit related to uncertain tax positions	3,880	5,239
Operating leases	13,685	15,578
Deferred revenue	20,970	26,199
Other	6,571	1,883
Valuation allowance related to loss carryforward and tax credits	(19,709)	(10,853)
	$ 337,010	$ 333,126
Deferred tax liabilities:		
Fixed assets	27,970	37,359
Operating leases	13,322	15,343
Prepaid and perpetual license assets	17,350	22,166
Inventory	4,893	—
Other prepaid expenses	71	2,564
Capitalized preproduction design and development costs	8,384	8,408
Book basis in excess of tax basis for acquired entities	32,907	33,154
Withholding tax	89,285	83,329
Other	218	2,192
	$ 194,400	$ 204,515
Net deferred tax assets	$ 142,610	$ 128,611

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At December 25, 2021, the Company had $24,508 of tax credit carryover compared to $18,523 at December 26, 2020. At December 25, 2021, the Company had a deferred tax asset of $9,069 related to the future tax benefit of net operating loss (NOL) carryforwards of $50,919. Included in the NOL carryforwards is $37,916 that relates to Switzerland and expires beginning in 2027, $9,917 that relates to Luxembourg and expires beginning in 2037, $272 that relates to Finland and expires in varying amounts between 2025 and 2028, $575 that relates to the Netherlands and expires in 2026, $40 that relates to Thailand and expires in 2025, and $2,199 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.

The total amount of gross unrecognized tax benefits, as of December 25, 2021 was $65,216. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits for years ended December 25, 2021, December 26, 2020, and December 28, 2019 is as follows:

	December 25, 2021	December 26, 2020	December 28, 2019
Balance beginning of year	$ 84,985	$ 101,251	$ 118,287
Additions based on tax positions related to prior years	—	10,480	398
Reductions based on tax positions related to prior years	(4,727)	(4,169)	(6,556)
Additions based on tax positions related to current period	4,272	16,859	13,806
Reductions related to settlements with tax authorities	—	(935)	(218)
Expiration of statute of limitations	(19,314)	(38,501)	(24,466)
Balance at end of year	$ 65,216	$ 84,985	$ 101,251

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 balance of net unrecognized benefits of $54,443, $81,938, and $92,056 are required to be classified as noncurrent at December 25, 2021, December 26, 2020, and December 28, 2019, 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 25, 2021, December 26, 2020, and December 28, 2019, the Company had accrued approximately $4,225, $5,666, and $7,636, respectively, for interest. The interest component of the reserve decreased income tax expense for the years ending December 25, 2021 and December 26, 2020 by $1,441, and $1,970, respectively, and increased income tax expense for the year ending December 28, 2019 by $1,023. The Company did not have significant amounts accrued for penalties for the years ending December 25, 2021, December 26, 2020, and December 28, 2019.

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 2017, 2016, 2019, and 2018, respectively.

The Company recognized a reduction of income tax expense, inclusive of interest and net of deferrals, of $22,221, $42,185, and $26,158 in fiscal years ended December 25, 2021, December 26, 2020, and December 28, 2019, 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 $5,000 to $15,000 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 25, 2021		December 26, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 1,498,058	$ 1,498,058	$ 1,458,442	$ 1,458,442
Marketable securities	$ 1,616,678	$ 1,616,678	$ 1,518,817	$ 1,518,817

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

8. Segment Information

Garmin is organized in the six operating segments of fitness, outdoor, aviation, marine, consumer auto, and auto OEM. 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. The fitness, outdoor, aviation, and marine operating segments represent reportable segments. The consumer auto and auto OEM operating segments, which serve the auto market, do not meet the quantitative thresholds to separately qualify as reportable segments, and they are therefore reported together in an "all other" category captioned as auto. Fitness, outdoor, aviation, marine, and auto are collectively referred to as our reported segments.

The products of the Company's segments are sold through the Company's network of independent dealers and distributors, our own webshop, as well as through various aviation, marine, and auto OEMs. However, the nature of products and types of customers for the segments vary.

The Company's Chief Executive Officer, who has been identified as the CODM, uses operating income as the measure of profit or loss, combined with other measures, 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 reasonable manner considering the specific facts and circumstances of the expenses being allocated. The accounting policies of the 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 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 five reported segments are presented below, along with supplemental financial information for the consumer auto and auto OEM operating segments that management believes is useful.

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	Fitness	Outdoor	Aviation	Marine	Auto			Total
					Total Auto	Consumer Auto	Auto OEM	
52-Weeks Ended December 25, 2021								
Net sales	$1,533,788	$1,281,933	$712,468	$875,151	$579,455	$ 324,731	$ 254,724	$4,982,795
Gross profit	813,325	834,837	519,821	495,310	227,166	153,825	73,341	2,890,459
Operating income (loss)	372,575	480,777	191,775	244,199	(70,706)	45,603	(116,309)	1,218,620
52-Weeks Ended December 26, 2020								
Net sales	$1,317,498	$1,128,081	$622,820	$657,848	$460,326	$ 275,493	$ 184,833	$4,186,573
Gross profit	697,539	739,777	453,008	384,450	206,562	139,864	66,698	2,481,336
Operating income (loss)	318,884	441,085	137,203	175,724	(18,656)	41,464	(60,120)	1,054,240
52-Weeks Ended December 28, 2019								
Net sales	$1,047,527	$ 917,567	$735,458	$508,850	$548,103	$ 365,511	$ 182,592	$3,757,505
Gross profit	532,604	598,443	543,385	302,949	256,595	172,218	84,377	2,233,976
Operating income (loss)	191,858	334,041	252,943	109,876	56,868	63,299	(6,431)	945,586

Net sales, property and equipment, and net assets by geographic area are as shown below for the years ended December 25, 2021, December 26, 2020, and December 28, 2019. Note that APAC includes Asia Pacific and Australian Continent, and EMEA includes Europe, the Middle East and Africa.

	Americas	EMEA	APAC	Total
December 25, 2021				
Net sales to external customers [1]	$ 2,349,514	$ 1,858,908	$ 774,373	$ 4,982,795
Property and equipment, net	576,481	120,004	370,993	1,067,478
Net assets [2]	3,745,120	1,227,928	1,141,111	6,114,159
December 26, 2020				
Net sales to external customers [1]	$ 1,968,080	$ 1,579,749	$ 638,744	$ 4,186,573
Property and equipment, net	467,269	114,313	273,957	855,539
Net assets [2]	3,327,748	1,163,127	1,025,241	5,516,116
December 28, 2019				
Net sales to external customers [1]	$ 1,817,770	$ 1,350,533	$ 589,202	$ 3,757,505
Property and equipment, net	435,503	65,323	228,095	728,921
Net assets [2]	3,074,155	714,602	1,004,739	4,793,496

[1] The United States 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 are subject to a minimum one-year vesting period. In 2021, 2020, and 2019, there were 4,180, 6,376, and 8,016 RSUs granted under this plan, respectively.

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 vest 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 2021, 2020, and 2019, there were 866,614, 753,976, and 786,346 RSUs granted under the 2005 Plan, respectively. No SARs were granted under the 2005 Plan in 2021, 2020, or 2019.

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 2021, 2020, or 2019.

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, and the 2000 Plan for the years ended December 25, 2021, December 26, 2020, and December 28, 2019 is provided below:

	Stock Options and SARs	
	Weighted-Average Exercise Price	Number of Shares
		(In Thousands)
Outstanding at December 29, 2018	$ 50.92	86
Granted		—
Exercised	$ 49.07	(20)
Forfeited/Expired		—
Outstanding at December 28, 2019	$ 51.46	66
Granted		—
Exercised	$ 51.23	(53)
Forfeited/Expired		—
Outstanding at December 26, 2020	$ 52.44	13
Granted		—
Exercised	$ 52.44	(13)
Forfeited/Expired		—
Outstanding at December 25, 2021		—
Exercisable at December 25, 2021		—
Expected to vest after December 25, 2021		—

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	Restricted Stock Units	
	Weighted-Average Grant Date Fair Value	Number of Shares *(In Thousands)*
Outstanding at December 29, 2018	$ 53.17	2,099
Granted	$ 85.93	794
Released/Vested	$ 50.02	(1,053)
Cancelled	$ 58.62	(61)
Outstanding at December 28, 2019	$ 69.47	1,779
Granted	$ 99.57	760
Released/Vested	$ 64.07	(915)
Cancelled	$ 72.10	(42)
Outstanding at December 26, 2020	$ 86.98	1,582
Granted	$ 116.40	871
Released/Vested	$ 80.12	(884)
Cancelled	$ 95.79	(56)
Outstanding at December 25, 2021	$ 107.60	1,513

The weighted-average remaining contract life of restricted stock units at December 25, 2021 was 1.17 years.

The total fair value of awards vested during 2021, 2020, and 2019, was $70,796, $58,602, and $52,780, respectively. The aggregate intrinsic values of options and SARs exercised during 2021, 2020, and 2019 were $1,040, $3,701, and $952, respectively. The aggregate intrinsic value of RSUs outstanding at December 25, 2021 was $203,457. The aggregate intrinsic values of RSUs released during 2021, 2020, and 2019 were $118,825, $109,952, and $103,702, 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 $134.48 on December 25, 2021 (based on the closing stock price on December 23, 2021). As of December 25, 2021, there was $110,719 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 8,000,000 shares of common stock have been reserved for the ESPP. Shares are 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 2021, 2020, and 2019, there were 385,211, 195,540, and 451,625 shares purchased under the plan for a total purchase price of $34,936, $15,955, and $27,048, respectively. During 2021, 2020, and 2019, the purchases were issued from treasury shares. At December 25, 2021, approximately 1,474,904 shares were available for future issuance. On December 30, 2021, subsequent to Garmin's fiscal 2021 year end, 179,454 shares were purchased under the plan for a total purchase price of $20,853.

10. Earnings Per Share

The following table sets forth the computation of basic and diluted net income per share. Stock options, stock appreciation rights, and restricted stock units are collectively referred to as "equity awards".

	Fiscal Year Ended		
	December 25, 2021	December 26, 2020	December 28, 2019
Numerator:			
Numerator for basic and diluted net income per share - net income	$ 1,082,200	$ 992,324	$ 952,486
Denominator (in thousands):			
Denominator for basic net income per share – weighted-average common shares	192,180	191,085	189,931
Effect of dilutive equity awards	863	810	968
Denominator for diluted net income per share – adjusted weighted-average common shares	193,043	191,895	190,899
Basic net income per share	$ 5.63	$ 5.19	$ 5.01
Diluted net income per share	$ 5.61	$ 5.17	$ 4.99
Shares excluded from diluted net income per share calculation:			
Anti-dilutive equity awards (in thousands)	235	308	298

11. 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 25, 2021:

	Foreign currency translation adjustment	Net gains (losses) on available-for-sale securities	Total
Balance - beginning of period	$ 162,953	$ 20,474	$ 183,427
Other comprehensive income before reclassification, net of income tax benefit of $6,490	(39,538)	(25,508)	(65,046)
Amounts reclassified from accumulated other comprehensive income to other income (expense), net of income tax expense of $78 included in income tax provision	—	(546)	(546)
Net current-period other comprehensive income	(39,538)	(26,054)	(65,592)
Balance - end of period	$ 123,415	$ (5,580)	$ 117,835

12. 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.

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Disaggregated revenue by geographic region (Americas, APAC, and EMEA) is presented in Note 8 – Segment Information. Note 8 also contains disaggregated revenue information of the six major product categories identified by the Company – fitness, outdoor, aviation, marine, consumer auto, and auto OEM.

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 and outdoor segments 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 25, 2021	December 26, 2020	December 28, 2019
Point in time	$ 4,762,260	$ 3,998,251	$ 3,577,715
Over time	220,535	188,322	179,790
Net sales	$ 4,982,795	$ 4,186,573	$ 3,757,505

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 25, 2021 and December 26, 2020, are presented below:

	Fiscal Year Ended			
	December 25, 2021		December 26, 2020	
	Deferred Revenue [1]	Deferred Costs [2]	Deferred Revenue [1]	Deferred Costs [2]
Balance, beginning of period	$ 136,799	$ 36,655	$ 161,891	$ 48,598
Deferrals in period	213,008	16,345	163,230	17,850
Recognition of deferrals in period	(220,535)	(24,678)	(188,322)	(29,793)
Balance, end of period	$ 129,272	$ 28,322	$ 136,799	$ 36,655

[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 $220,535 of deferred revenue recognized in the 52-weeks ended December 25, 2021, $80,786 was deferred as of the beginning of the period. Of the $188,322 of deferred revenue recognized in the 52-weeks ended December 26, 2020, $92,618 was deferred as of the beginning of the period.

Of the $129,272 of deferred revenue as of December 25, 2021, approximately seventy-five percent is recognized ratably over a period of three years or less.

13. Leases

The following table represents lease costs recognized in the Company's Consolidated Statements of Income for the 52-weeks ended December 25, 2021. Lease costs are included in selling, general and administrative expense and research and development expense on the Company's Condensed Consolidated Statements of Income.

	Fiscal Year Ended	
	December 25, 2021	December 26, 2020
Operating lease cost [1]	$ 35,114	$ 29,894

[1] Operating lease cost includes short-term lease costs and variable lease costs, which were not material in the period presented.

The following table represents the components of leases that are recognized on the Company's Consolidated Balance Sheets as of December 25, 2021 and December 26, 2020.

	December 25, 2021	December 26, 2020
Operating lease right-of-use assets	$ 89,457	$ 94,626
Other accrued expenses	$ 20,503	$ 18,874
Noncurrent operating lease liabilities	70,044	75,958
Total lease liabilities	$ 90,547	$ 94,832
Weighted average remaining lease term	5.6 years	6.3 years
Weighted average discount rate	3.3%	3.6%

The following table represents the maturity of lease liabilities.

Year	Amount
2022	$ 23,276
2023	21,313
2024	17,220
2025	12,835
2026	7,086
Thereafter	17,791
Total	**99,521**
Less: imputed interest	(8,974)
Present value of lease liabilities	**90,547**

The following table presents supplemental cash flow and noncash information related to leases.

	Fiscal Year Ended	
	December 25, 2021	December 26, 2020
Cash paid for amounts included in the measurement of operating lease liabilities [2]	$ 24,930	$ 20,401
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 16,229	$ 39,009

[2] Included in net cash provided by operating activities on the Company's Statements of Cash Flows

14. Subsequent Events

Changes in Expense Classification and Segment Allocation Methodologies

Beginning with reports filed in the first quarter of fiscal 2022, the Company will reflect a refined methodology used in classifying certain indirect costs in accordance with the way the Company's management will use the information in decision making, which we believe will provide a more meaningful representation of costs incurred to support research and development activities. Future reports will also reflect a refined methodology used to allocate certain selling, general, and administrative expenses to the segments in a more direct manner to provide the Company's CODM with a more meaningful representation of segment profit or loss.

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These changes in classification and allocation had no effect on the Company's consolidated operating or net income or on the Company's composition of operating segments and reportable segments. The Company expects to report its financial results in accordance with these changes beginning with the Company's first quarter 2022 Form 10-Q and will recast prior periods to conform to the revised presentation.

We estimate the expense classification change will result in a decrease to research and development expense of approximately $61 million, with a corresponding increase to selling, general, and administrative expenses, for the recast fiscal year ended December 25, 2021.

We estimate the segment allocation change will result in the following impacts to segment operating income for the recast fiscal year ended December 25, 2021:

	52-Weeks Ended December 25, 2021 (In millions)							
					Auto			
	Fitness	Outdoor	Aviation	Marine	Total Auto	Consumer Auto	Auto OEM	Total
Operating income (decrease) increase	$ (13)	$ (5)	$ 1	$ 6	$ 11	$ 3	$ 8	$ —

Acquisition of Vesper Marine, Ltd.

On December 29, 2021, subsequent to Garmin's fiscal 2021 year end, the Company acquired the shares of Vesper Marine, Ltd. and its subsidiaries, a privately-held New Zealand company that provides Automatic Identification System (AIS), very high frequency (VHF) radio, and vessel monitoring solutions for the marine industry. This acquisition was not material.

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 25, 2021. 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 25, 2021.

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 25, 2021, as stated in their report which is included herein. That attestation report appears below.

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

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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 Internal Control over Financial Reporting

We have audited Garmin Ltd. and Subsidiaries' internal control over financial reporting as of December 25, 2021, 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 25, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 25, 2021 and December 26, 2020, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 25, 2021, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 16, 2022 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.

Ernst & Young LLP

Kansas City, Missouri
February 16, 2022

(d) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 25, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

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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 10, 2022 (the "Proxy Statement") will be filed with the Securities and Exchange Commission no later than 120 days after December 25, 2021.

(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 six directors" 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 "Information about our Executive Officers" in Part I of this Form 10-K is incorporated herein by reference in partial response to this Item 10.

(c) Delinquent Section 16(a) Reports

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

(d) Audit Committee and Audit Committee Financial Expert

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

The Audit Committee consists of Joseph J. Hartnett, Charles W. Peffer and Catherine A. Lewis. Mr. Peffer serves as the Chairman of the Audit Committee. All members of the Audit Committee are "independent" within the meaning of the rules of the SEC and the New York Stock Exchange rules. Garmin's Board of Directors has determined that Mr. Hartnett, Ms. Lewis, and Mr. Peffer are "audit committee financial experts" as defined by the SEC regulations implementing Section 407 of the Sarbanes-Oxley Act of 2002.

(e) Code of Ethics

Garmin's Board of Directors has adopted the Code of Conduct of Garmin Ltd. and Subsidiaries (the "Code"). The Code is applicable to all Garmin employees including the President and Chief Executive Officer, the Chief Financial Officer, the Controller and other officers. A copy of the Code is available on Garmin's website at: https://www8.garmin.com/aboutGarmin/invRelations/documents/Code_of_Conduct.pdf. 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 six directors – 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 six directors – 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 25, 2021 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 outstanding options, exercise of 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	1,512,920	N/A	3,854,829
Equity compensation plans not approved by shareholders	—	N/A	—
Total	1,512,920	N/A	3,854,829

Table consists of the Garmin Ltd. 2000 Equity Incentive Plan, as amended and restated on June 27, 2010, the Garmin Ltd. 2005 Equity Incentive Plan, as amended and restated on June 7, 2019, the Garmin Ltd. Employee Stock Purchase Plan, as amended and restated on June 7, 2019, and the Garmin Ltd. 2011 Non-Employee Directors' Equity Incentive Plan, as amended and restated on February 15, 2019. 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.

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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 six directors - 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 six directors" in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 13.

Item 14. Principal Accountant 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
3.1	Articles of Association of Garmin Ltd., as amended and restated on June 5, 2020 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on June 8, 2020).
3.2	Organizational Regulations of Garmin Ltd., as amended on October 25, 2019 (incorporated by reference to Exhibit 3.2 of the Registrant's Amendment No.1 to Current Report on Form 8-K/A filed on November 21, 2019).
4.1	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
10.1	Garmin Ltd. 2000 Equity Incentive Plan, as amended and restated on June 27, 2010 (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on June 28, 2010).*
10.2	Garmin Ltd. Employee Stock Purchase Plan, as amended and restated on June 7, 2019 (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on June 10, 2019).*
10.3	Garmin Ltd. 2005 Equity Incentive Plan, as amended and restated on June 7, 2019 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on June 10, 2019).*
10.4	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 not executive officers (incorporated by reference to Exhibit 10.62 of the Registrant's Annual Report on Form 10-K filed on February 21, 2018).*
10.5	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).*
10.6	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 10.60 of the Registrant's Annual Report on Form 10-K filed on February 21, 2018).*
10.7	Garmin Ltd. 2011 Non-Employee Directors' Equity Incentive Plan, as amended and restated on February 15, 2019 (incorporated by reference to Exhibit 10.63 of the Registrant's Annual Report on Form 10-K filed on February 20, 2019).*
10.8	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 (incorporated by reference to Exhibit 10.64 of the Registrant's Annual Report on Form 10-K filed on February 20, 2019).*

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10.9	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).*
10.10	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).*
10.11	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).*
10.12	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 10.61 of the Registrant's Annual Report on Form 10-K filed on February 21, 2018).*
10.13	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).*
10.14	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 10.1 of the Registrant's Current Report on Form 8-K filed on February 26, 2020).*
10.15	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).*
10.16	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).*
10.17	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 grantees who are executive officers (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on February 26, 2020).*
10.18	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 10.3 of the Registrant's Current Report on Form 8-K filed on February 26, 2020).*
10.19	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 10.4 of the Registrant's Current Report on Form 8-K filed on February 26, 2020).*
10.20	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 not executive officers (incorporated by reference to Exhibit 10.5 of the Registrant's Current Report on Form 8-K filed on February 26, 2020).*
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	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
Exhibit 101.SCH	Inline XBRL Taxonomy Extension Schema
Exhibit 101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
Exhibit 101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
Exhibit 101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
Exhibit 101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
Exhibit 104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Management contract or compensatory plan or arrangement pursuant to 601(b)(10)(iii)(A) of Regulation S-K.

(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.

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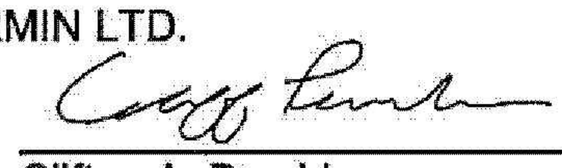
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Garmin Ltd. and Subsidiaries
(*In thousands*)

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Year ended December 25, 2021					
Deducted from asset accounts					
Allowance for doubtful accounts	$ 11,086	$ (1,290)	$ —	$ (2,716)	$ 7,080
Valuation allowance - Deferred Tax Asset	10,853	4,797	—	(92)	15,558
Total	$ 21,939	$ 3,507	$ —	$ (2,808)	$ 22,638
Year ended December 26, 2020					
Deducted from asset accounts					
Allowance for doubtful accounts	$ 6,754	$ 5,259	$ —	$ (927)	$ 11,086
Valuation allowance - Deferred Tax Asset	4,562	6,912	—	(621)	10,853
Total	$ 11,316	$ 12,171	$ —	$ (1,548)	$ 21,939
Year ended December 28, 2019					
Deducted from asset accounts					
Allowance for doubtful accounts	$ 5,487	$ 2,029	$ —	$ (762)	$ 6,754
Valuation allowance - Deferred Tax Asset	4,568	1,556	—	(1,562)	4,562
Total	$ 10,055	$ 3,585	$ —	$ (2,324)	$ 11,316

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 

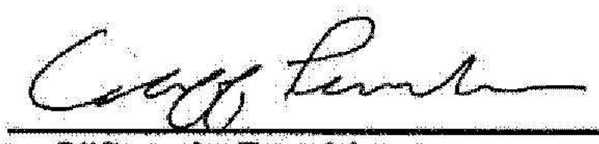
Clifton A. Pemble
President and Chief Executive Officer

Dated: February 16, 2022

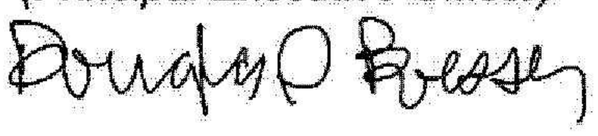
POWER OF ATTORNEY

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 16, 2022.



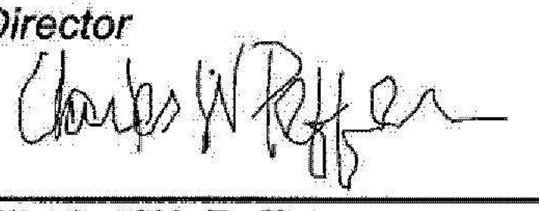
Clifton A. Pemble
Director, President and Chief Executive Officer
(Principal Executive Officer)



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

Min H. Kao
Executive Chairman

Jonathan C. Burrell
Director



Joseph J. Hartnett
Director

Catherine A. Lewis
Director

Charles W. Peffer
Director

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Garmin Nordic Sweden AB

Org. Nr 556698-0354

Billdal den 27/6 2022

Andrew Russell Etkind

Sean Biddlecombe

Jan-Åke Arenäs
Verkställdande direktör

Magnus Gahlin

Vår revisionsberättelse har lämnats den

Ernst & Young AB

Inger Sjöberg

Auktoriserad revisor

20221025059950

Garmin Nordic Sweden AB

Org. Nr 556698-0354

Billdal den 27/6 2022

Andrew Russell Etkind

Sean Biddlecombe

Jan-Åke Arenäs
Verkställdande direktör

Magnus Gahlin

Vår revisionsberättelse har lämnats den 29/6 2022

Ernst & Young AB

Inger Sjöberg

Auktoriserad revisor

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Garmin Ltd.
2021 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.

Exhibit Number	Document
4.1	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934
21.1	List of subsidiaries
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