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

FORM 10-K

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 30, 2006
or
[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______
Commission file number 0-31983

GARMIN LTD.

(Exact name of registrant as specified in its charter)

Cayman Islands	**98-0229227**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5th Floor, Harbour Place, P.O. Box 30464 SMB, 103 South Church Street George Town, Grand Cayman, Cayman Islands	N/A
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(345) 946-5203**

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

Common Shares, $0.005 Per Share Par Value	**NASDAQ Global Select Market**
(Title of each class)	(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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Act.

Large Accelerated Filer [√] Accelerated Filer [ ] Non-accelerated Filer [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES [ ] NO [√]

Aggregate market value of the common shares held by non-affiliates of the registrant as of June 30, 2006 (based on the closing price of the registrant's common shares on the Nasdaq Stock Market for that date) was approximately $7,260,517,893.

Number of shares outstanding of the registrant's common shares as of February 23, 2007:
Common Shares, $.005 par value – 216,226,811

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 2007 Annual Meeting of Shareholders which will be filed no later than 120 days after December 30, 2006	Part III

Garmin Ltd.

2006 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 Operation." 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. The Company does not undertake to update any forward-looking statements in this Annual Report to reflect future events or developments.

Part I

Item 1. Business

This discussion of the business of Garmin Ltd. ("Garmin" or the "Company") should be read in conjunction with, and is qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Item 7 herein and the information set forth in response to Item 101 of Regulation S-K in such Item 7 is incorporated herein by reference in partial response to this Item 1. Garmin has four business segments: Marine, Automotive/Mobile, Outdoor/Fitness, and Aviation. The segment and geographic information included in Item 8, "Financial Statements and Supplementary Data," under Note 8 is incorporated herein by reference in partial response to this Item 1.

Garmin was incorporated in the Cayman Islands on July 24, 2000 as a holding company for Garmin Corporation, a Taiwan corporation, in order to facilitate a public offering of Garmin shares in the United States. Garmin owns, directly or indirectly, all of the operating companies in the Garmin group.

Garmin's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statement and Forms 3, 4 and 5 filed by Garmin's directors and executive officers and all amendments to those reports will be made available free of charge through the Investor Relations section of Garmin's Internet 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 reference to Garmin's website address does not constitute incorporation by reference of the information contained on this website and such information should not be considered part of this report on Form 10-K.

Company Overview

Garmin is a leading, worldwide provider of navigation, communications and information devices, most of which are enabled by Global Positioning System ("GPS") technology. Garmin designs, develops, manufactures and markets a diverse family of hand-held, portable and fixed-mount GPS-enabled products and other navigation, communications and information products for the automotive/mobile, outdoor/fitness, marine, and general aviation markets.

Overview of the Global Positioning System

The Global Positioning System is a worldwide navigation system which enables the precise determination of geographic location using established satellite technology. The system consists 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, which maintains an ongoing satellite replenishment program to ensure continuous global system coverage. Access to the system is provided free of charge by the U.S. government.

Prior to May 2000, the U.S. Department of Defense intentionally degraded the accuracy of civilian GPS signals in a process known as Selective Availability (''SA'') for national security purposes. SA variably degraded GPS position accuracy to a radius of 100 meters. On May 2, 2000, the U.S. Department of Defense discontinued SA. In a presidential policy statement issued in December 2004, the Bush administration indicated that the U.S. does not intend to implement SA again and is committed to preventing hostile use of GPS through regional denial of service, minimizing the impact to peaceful users. With SA removed, a GPS receiver can calculate its position to an accuracy of approximately 10 meters or less, enhancing the utility of GPS for most applications.

The accuracy and utility of GPS can be enhanced through augmentation techniques which compute any remaining errors in the signal and broadcast these corrections to a GPS device. The Federal Aviation Administration ("FAA") has developed a Wide Area Augmentation System (''WAAS'') comprising ground reference stations and additional satellites that improve the accuracy of GPS positioning available in the United States and portions of Canada and Mexico to approximately 3 meters. WAAS supports the use of GPS as the primary means of enroute, terminal and approach navigation for aviation in the United States. The increased accuracy offered by WAAS also enhances the utility of WAAS-enabled GPS receivers for consumer applications. The FAA announced on July 11, 2003 that the WAAS system had achieved initial operating capability and that the system was available for instrument flight use with appropriately certified avionics equipment. Since that time, the FAA has installed additional ground reference stations and has launched additional WAAS satellites.

Recent Developments in the Company's Business

Since the inception of its business, Garmin has delivered over 19 million products, which includes the delivery of over 5.4 million products during 2006.

Automotive/Mobile Product Introductions

Garmin launched many new products in 2006. Among these were new versions of Garmin's popular nüvi™ Personal Travel Assistant™ product line. The nüvi family was expanded in 2006 to include the nüvi 360 and the nüvi 660. The nüvi 360 adds Bluetooth™ wireless capability to the nüvi's already full feature set of a high-sensitivity GPS receiver, language translator, MP3 player, audio book player, currency and measurement converter, world clock and digital photo organizer. The nüvi 660 incorporates a wider and brighter touchscreen, an integrated traffic receiver and an integrated FM transmitter.

Garmin also introduced several new versions of its StreetPilot® line of personal navigation devices (PNDs) in 2006. The StreetPilot c-Series™ line was expanded with the c500 series (c510, c530, and c550 models), which built upon the success of the c300 series by adding several new features, including Bluetooth™ wireless technology, an integrated traffic-detection receiver, a brighter display, a high-sensitivity GPS receiver, an MP3 player, and optional (purchased separately) Garmin Travel Guide™ functionality – giving users reviews and recommendations for restaurants, hotels, shopping, nightlife, sporting events, and tourist attractions. The StreetPilot 2700 series was also updated with the introduction of the StreetPilot 2820, a premium navigation device which adds Bluetooth™ wireless connectivity and other upgrades to the features of the 2700 series. Garmin also introduced the zūmo™ in 2006, a navigator designed specifically for the motorcycle market with such features as left-handed controls, a high-bright display, Bluetooth™ "hands-free-to-helmet" wireless technology capability, and a rugged locking mount.

Garmin continued its expansion in the rental car market in 2006 by announcing agreements to supply GPS navigation devices to Enterprise Rent-A-Car, Avis Rent A Car and Budget Rent A Car.

Garmin also expanded its Garmin Mobile™ service and family of products in 2006. Building upon its September 2005 launch of Garmin Mobile -- a subscription-based navigation service for select mobile phones and providers -- Garmin added the availability of new dynamic content for Garmin Mobile (including fuel prices, weather conditions and forecasts, and traffic information) and later announced that Garmin Mobile would be available on select BlackBerry devices, in addition to certain Sprint and Nextel handsets. Garmin also introduced Garmin Mobile 20, an automotive navigation system that delivers Garmin's voice-prompted, turn-by-turn directions using Bluetooth wireless technology on Nokia, Windows Mobile and Treo 650 Smartphones, and Garmin Mobile 10**,** a product that turns Bluetooth enabled devices such as laptops, smartphones, Pocket PCs (personal computers), and PDAs (personal data assistants) into GPS navigators.

Outdoor/Fitness Product Introductions

In the category of GPS-enabled fitness products, Garmin began selling its next generation Forerunner® products in 2006: the Forerunner 205 and Forerunner 305. The wrist-worn Forerunner 205 and 305 fitness products were redesigned from the first generation Forerunners to maximize GPS satellite reception and to provide a sleeker design. To help promote the release of the new Forerunner products, Garmin helped sponsor more than a dozen marathons and cycling events in 2006 and early 2007.

Marine Product Introductions

Garmin introduced several new marine radar products in 2006 and, in November 2006, we introduced a new and completely redesigned line of marine chartplotters, sonar, and combination units for the 2007 boating season. These new marine products offer a new "flat screen" design, a new user interface, satellite photo-generated cartography, and other new features.

Aviation Product Introductions

Garmin's G1000 integrated avionics suite received Federal Aviation Administration ("FAA") certification in September 2006 for incorporation into Cessna's Citation Mustang very light jet.

In November 2006, Garmin's GNS 400/500 panel-mount avionics products received the FAA's TSO C146a Gamma-3 certification, which enables pilots to fly Lateral-Precision with Vertical (LPV) guidance approaches and receive GPS navigation via the Wide Area Augmentation System (WAAS).

Garmin also introduced the GPSMAP 496 aviation handheld product as an upgrade to the GPSMAP 396.

Expansion of Facilities

In October 2006, Garmin's United Kingdom subsidiary acquired a building in Totton, Southampton, England to serve as the new headquarters for Garmin (Europe) Ltd., Garmin's United Kingdom subsidiary. The facility contains building space of approximately 155,000 sq. ft, including more than 129,000 sq. ft of warehouse space, which will serve as the European headquarters for distribution, marketing, and product support.

In February 2006, Garmin's Taiwan subsidiary acquired a 223,469 sq. ft. facility in Jhongli, Taiwan, which now serves as our second manufacturing facility for consumer products.

Chicago Retail Store

In November 2006, Garmin opened its first retail store which is located in Chicago's North Michigan Avenue shopping district. The store is intended to serve as a showcase for Garmin's broad range of products.

Acquisitions

In November 2006, Garmin acquired Dynastream Innovations Inc., a Canadian company specializing in the field of personal monitoring technology – such as foot pods and heart rate monitors for sports and fitness products – and a provider of wireless connectivity solutions for a wide range of applications. Dynastream's products address the needs of a broad spectrum of fitness consumers and are expected to complement Garmin's fitness products.

Two-For-One Stock Split

Garmin's shareholders approved a two-for-one stock split on July 21, 2006, which was effective on August 15, 2006.

Products

Garmin has achieved a leading market position and a history of consistent growth in revenues and profits by offering ergonomically designed, user-friendly products with innovative features and designs covering a broad range of applications and price points. Garmin's target markets are currently broken down into four main segments – automotive/mobile, outdoor/fitness, marine and aviation.

Automotive/Mobile

Garmin currently offers a broad range of automotive navigation products, as well as a variety of products and applications designed for the mobile GPS market. Garmin believes that its consumer products are known for their value, high performance, innovation and ergonomics. The table below includes a sampling of the automotive and mobile products that Garmin currently offers to consumers around the world.

nüvi (8 models)	The nüvi is an all-in-one Personal Travel Assistant™ that combines a full-featured GPS navigator, optional language translator, MP3 player, audio book player, currency and measurement converter, world clock and digital photo organizer. Users can also choose to purchase optional software enabling the nüvi to be used as a digital coupon book (Garmin SaversGuide™) or as a travel assistant that provides reviews and recommendations for restaurants, hotels, shopping, night life, sporting events, tourist attractions, and more (*Travel Guide*™). The nüvi 600 series offers the user a wider and brighter screen and an integrated FM traffic receiver, as well as other features, including the option for MSN Direct content on the nüvi 680 (announced in January 2007). The nüvi comes in separate North American and European versions, as well as a combined version (the nüvi 670 – announced in January 2007) that contains pre-loaded street maps for both continents. In fiscal years 2006, 2005, and 2004, the nüvi class of products represented approximately 28%, 2%, and 0% of Garmin's total consolidated revenues.

StreetPilot (15 models)	The StreetPilot i-Series™ (comprised of the i2™, i3™, and i5™) are Garmin's smallest, most inexpensive line of automotive navigators, yet still offer color screens (i3 and i5) and voice prompted, turn-by-turn directions The StreetPilot c-300 series (c310, c320, c330, c340,) features Garmin's touch-screen interface and turn-by-turn voice directions. The StreetPilot c340 adds the ability to speak street names and also to utilize real-time traffic information in select major metro areas through Garmin's separate GTM 10 receiver. The StreetPilot c-500 series (c510, c530, c550 and c580) adds Bluetooth Wireless Technology, integrated traffic capabilities (separate subscription required), a high bright display, and a high-sensitivity GPS receiver. The StreetPilot 2720 and 2820 are full-featured navigators in a different form factor. The StreetPilot 7000-Series (7200 and 7500) are high-end automotive units that display navigation, entertainment, traffic, and weather information on a large, seven-inch touch-screen. In fiscal years 2006, 2005, and 2004, the StreetPilot class of products represented approximately 28%, 30%, and 14% of Garmin's total consolidated revenues.
Quest™ (2 models)	Pocket-sized, portable, GPS units with navigation features, including 256-color, bright, sunlight-readable display, automatic routing with turn-by-turn directions and voice guidance, and 115 MB of internal memory. The Quest 2 adds pre-loaded maps of the United States, Canada, and Puerto Rico.
zūmo™ (3 models)	A motorcycle-specific navigator with features including a glove-friendly touch screen with left-handed controls, high bright sunlight-readable display, motorcycle mount, vibration-tested design and Bluetooth wireless technology. An SD (secure digital) card slot allows riders to share their favorite places and rides with fellow zūmo riders. The zūmo 550 is also compatible with XM satellite radio. The zūmo 450 (announced in January 2007) offers a lower price point by subtracting such features as Bluetooth wireless technology, text-to-speech and XM compatibility.
Garmin Mobile™	Garmin Mobile is a subscription-based software application that lets compatible cell phones with either Sprint or Nextel service plans function as versatile GPS navigators.
Garmin Mobile™ 10/20 (2 models)	Garmin Mobile 10 allows customers to add wireless navigation capabilities to their Bluetooth-enabled laptop, smartphone, Pocket PC or PDA via the Garmin Mobile software application and a small portable GPS receiver, which can either be mounted in the vehicle or clipped to the user's clothes. Garmin Mobile 20 is designed specifically for Bluetooth-enabled smartphones and comes with a compact and portable smart mount for the phone, which combines a high-sensitivity GPS receiver, Bluetooth hands-free kit, adjustable phone cradle and 12-volt phone charger all in one. Garmin Mobile 10 and 20 are also able to access real-time content from the Garmin Online server, including traffic information, gasoline prices, weather, and hotel information.
GPS 18 (2 models)	The GPS 18 turns a PC laptop into a GPS navigator. It is offered as a stand-alone sensor or bundled with Garmin's nRoute™ and City Select software that automatically guides with turn-by-turn directions and voice prompts. The GPS 18 comes in two different models offering the choice of either a PC or USB connection.

Outdoor/Fitness

Garmin currently offers GPS-enabled handheld products for outdoor activities and training assistants for athletic pursuits. The table below includes a sampling of the primary fitness and outdoor products that Garmin currently offers to consumers.

Forerunner® (5 models)	Compact, lightweight training assistants for athletes with integrated GPS sensor that provides speed, distance and pace data. Some models also offer a heart rate monitoring function. The Forerunner product line was updated in early 2006 to include two new models (Forerunner 205 and 305) with a redesigned style, shape and a new high sensitivity GPS receiver.
Edge® (2 models)	Integrated personal training systems designed for cyclists. The Edge 205 measures speed, distance, time, calories burned, climb and descent, altitude and more. The Edge 305 adds a heart rate monitor and/or wireless speed/pedaling cadence sensor.
eTrex ® (9 models)	Compact handheld GPS units for outdoor enthusiasts. All models are waterproof and have rugged designs. The eTrex Summit and eTrex Vista have electronic compass and barometric altimeter functions. eTrex Venture has a worldwide database of cities. eTrex Legend and eTrex Vista have internal basemaps of either North and South America or Europe. eTrex Camo features a camouflaged design and a hunting and fishing almanac. The eTrex Legend Cx, Vista Cx and Venture Cx models offer a bright color TFT (thin film transistor) display, together with automatic route generation, longer battery life and memory card slots. The Legend Cx and Vista Cx also come with removable 64 MB microSD cards.
GPS60 (4 models)	The GPS 60 is a basic GPS without mapping while the GPSMAP 60 offers a monochrome display and 24 MB of downloadable memory. The GPSMAP 60Cx and the GPSMAP 60CSx were released in 2006 and feature a new high sensitivity GPS receiver and a slot for a removable microSD memory, along with a 64mb microSD card.
GPS 72	Rugged, handheld GPS for land or marine navigation. Features include 1 MB internal memory for loading MapSource points of interest and high contrast 4-level gray scale display.
GPS 76 (5 models)	Handheld GPS with large display and a waterproof case which floats in water. Preloaded with U.S. tidal data. The GPS 76 is a basic GPS without a basemap. The GPSMAP 76 has an internal basemap and MapSource® compatibility for street level mapping and detailed marine charts. The GPSMAP 76S additionally features a barometric altimeter and an electronic compass. In 2006, Garmin added the GPSMAP 76Cx and the GPSMAP 76CSx to this family of products, which feature a new high sensitivity GPS receiver and a slot for a removable microSD memory, along with a 128mb microSD card, all in the same rugged and waterproof housing that floats in water.

Rino® (5 models)	Handheld two-way Family Radio Service (FRS) and General Mobile Radio Service (GMRS) radios that integrate two-way voice communications with GPS navigation. Features include patented "peer-to-peer position reporting" so you can transmit your location to another Rino radio. The Rino 120 has an internal basemap and MapSource compatibility for street-level mapping. The Rino 130 has 24 MB of internal memory, built-in electronic compass, barometric sensor, and National Oceanic and Atmospheric Administration (NOAA) weather radio receiver. The Rino 520 has 5 watts of transmit power, color display, mini-USB interface, and a turn-by turn automatic route calculation for use in automobiles. The Rino 530 has all of the features of the Rino 520, plus a seven-channel weather receiver, electronic compass, and barometric altimeter.

Marine

Garmin's marine lineup includes network products and multifunction displays, fixed-mount GPS/chartplotter products, and sounder products. Garmin revamped its marine product offerings for the 2007 boating season (announced in November 2006). The table below includes a sampling of some of the marine products that Garmin currently offers to consumers.

Marine Chartplotters and Networking Products

GPSMAP® 5000 series (4 models)	Announced in February 2007 and expected to be available in June 2007, these touch-screen multifunction displays for the Garmin Marine Network (a system that combines GPS, radar, XM WX Satellite Weather, sonar, and other data offer ease of use and video-quality resolution and color. The 5212 and 5208 come pre-loaded with detailed U.S. coastal charts, including Explorer Charts, and are compatible with Garmin's BlueChart® g2 Vision™ charts which offer high-resolution satellite imagery, 3D map perspective, aerial reference photos, and auto guidance.
GPSMAP® 4000 series/ 4200 series (4 models)	Announced in 2006 and expected to be available in June 2007 , these multifunction displays for the Garmin Marine Network (a system that combines GPS, radar, XM WX Satellite Weather, sonar, and other data) offer ease of use and video-quality resolution and color. The 4212 and 4208 come pre-loaded with detailed U.S. coastal charts, including Explorer Charts, and are compatible with Garmin's BlueChart® g2 Vision™ charts which offer high-resolution satellite imagery, 3D map perspective, aerial reference photos, and auto guidance.
GPSMAP® 3000 series/ 3200 series (6 models)	These configurable chartplotter/multifunction displays (MFDs) are all network-enabled and come in either a 10", 6" or 5" display. The GPSMAP 3200 series of multifunction displays for the Garmin Marine Network feature pre-loaded Marine Detail Charts of the U.S. coastline, including Alaska and Hawaii.
GDL 30 & 30A	These weather data receivers deliver real-time XM WX Satellite Weather data for the continental United States to Garmin Marine Network compatible display units. In addition, the GDL 30A adds CD-quality audio capability utilizing the XM Satellite Radio service.
GSD 21 and 22	These "black-box" sounders interface with Garmin display units and chartplotters and enhance their utility by providing the depth sounder and fish finder functions in a remote mounted package.
GMS 10	The GMS 10 Network Port Expander is the "nerve center" of the Garmin Marine Network. This 100-Mbit switch is designed to support the connection of multiple sensors to the Garmin Marine Network.

Other Marine Products

Fishfinders (5 models)	Garmin offers five different fishfinder options spanning various price points. All models feature Garmin's Ultrascroll™ technology, which allows boaters to get a faster refresh rate on their sonar display, and dual-beam transducer operation. Three of the models offer color displays. Garmin's newest fishfinder – the Fishfinder 400C – comes with dual beam or dual frequency transducers for easy adaptability to either freshwater or saltwater fishing. It also offers a new, easy-to-use interface and built in CANet connectivity to enable sonar data to be shared with compatible Garmin chartplotters.
GPSMAP® 4x0 and 5x0 the series (24 models)	Announced in November 2006 and expected to be available in the first quarter of 2007, 4x0 and 5x0 chartplotters and chartplotter/sonar units feature new, highly-detailed pre-loaded marine cartography and offer a wide variety of display sizes and networking options. All units are compatible with Garmin's BlueChart® g2™ data cards.
Radar (5 models)	Garmin offers both radomes and open array radar products with compatibility to any network-compatible Garmin chartplotter so that the chartplotter can double as the radar screen. The GMR 18, 21 and 41 models are digital radome products in various sizes and power specifications. The GMR 404 and 406 open array radar scanners provide even greater clarity and a 72 nautical mile range.

Aviation

Garmin's panel-mounted product line includes GPS-enabled navigation, VHF communications transmitters/receivers, multi-function displays, receivers, instrument landing system (ILS) receivers, digital transponders (which transmit an aircraft's altitude and its flight identification number in response to requests transmitted by ground-based air traffic control radar systems or collision avoidance devices on other aircraft), marker beacon receivers and audio panels.

Garmin's aviation products have won prestigious awards throughout the industry for their innovative features and ease of use. The GNS 430/530 offers multiple features and capabilities integrated into a single product. This high level of integration minimizes the use of precious space in the cockpit, enhances the quality and safety of flight through the use of modern designs and components and reduces the cost of equipping an aircraft with modern electronics. The GNS 430 was recognized by *Flying* Magazine as the Editor's Choice Product of the Year for 1998. In 1994, and again in 2000, Garmin earned recognition from the Aircraft Electronics Association for outstanding contribution to the general aviation electronics industry. The GPSMAP 295 won *Aviation Consumer* Magazine's Gear of the Year award for best aviation portable product in 2000 and again in 2001. *Flying* Magazine's editors awarded the GPSMAP 396 with a 2005 Editors' Choice Award for outstanding achievements. The GPSMAP 496, which was introduced in 2006, won the "2006 Gear of the Year" award from *Aviation Consumer* magazine. Garmin was ranked No. 1 among aviation electronics manufacturers for operation, presentation, technical advancement, information, construction and satisfaction in *Professional Pilot* magazine's survey of its readers in 2003, 2004 and 2005 and was ranked No. 2 in 2006. Also, Garmin was ranked No. 1 among avionics manufacturers for avionics product support in *Professional Pilot* magazine's survey of its readers in each of the last four years (2003, 2004, 2005 and 2006). *Aviation International News* also ranked Garmin No. 1 in avionics product support in 2006. Garmin received the Airline Technology Achievement Award from *Air Transport World Magazine* in January 2005 for championing the development of Automatic Dependent Surveillance-Broadcast (ADS-B) technology, an enabling technology for air traffic management.

Garmin's panel-mounted aviation products are sold in both new aircraft and the retrofit market where existing aircraft are fitted with the latest electronics from Garmin's broad product line.

Garmin has also expanded its range of avionics offerings to leading General Aviation aircraft manufacturers such as the Cessna Aircraft Company, Raytheon Aircraft Company, Diamond Aircraft Industries, Mooney Aircraft Corporation and Columbia Aircraft Manufacturing Corporation through the installation of the G1000 integrated flight deck as original equipment aboard new aircraft. This system integrates attitude, heading, air data, navigation, communication, engine monitoring, and other aircraft functions into a single cohesive system which interfaces with the flight crew using a set of large, bright TFT displays. The G1000 also comes with an optional integrated autopilot – the GFC70. Garmin also has expanded its G1000 sales to the business jet segment, such as Cessna with its newly certified Citation Mustang jet and Embraer who announced in November 2005 that Garmin's G1000 integrated flight deck had been selected for Embraer's new Phenom 100 (very light jet) and Phenom 300 (light jet) programs.

The table below includes a sampling of some of the aviation products currently offered by Garmin:

Handheld and portable aviation products:

GPSMAP® 96 & 96C	Portable units integrating GPS navigation with Jeppesen database and comprehensive towers-and-obstacles database. GPSMAP 96C offers a color display and 119 MB of memory for downloadable maps.
GPSMAP 296	In addition to a 3.8" diagonal color display, this portable GPS receiver offers new features like terrain cautions and alerts, sectional chart-like topographic data, a built-in obstacle database, and a transparent navigation arc view for course, speed and distance information.
GPSMAP 396	A portable navigation device that offers users GPS navigation, XM WX Satellite Weather™ capability, featuring Next Generation Radar (NEXRAD), a terrain awareness and warning system (TAWS), and XM entertainment programming, among other features.
GPSMAP 496	The GPSMAP 496, which was introduced in July 2006, expands on the GPSMAP 396 by adding such new features as Garmin's SafeTaxi™ airport diagrams, Aircraft Owners and Pilots Association (AOPA) Airport directory data, enhanced high-resolution terrain database, accelerated GPS update rate, and pre-loaded automotive maps of North America.
iQue 3600a	Combines the convenience of a Palm PDA with the features of a Garmin GPS aviation portable. Features include Jeppesen database and obstacle databases, "Terrain" mode, detailed Sectional chart-style overview, and a patent-pending aviation cradle mount. Also features a suite of personal information management (PIM) applications, voice recorder, MP3 player and SD card slot for memory expansion. Optional MapSource CD downloads and user-selectable formats enable the iQue 3600a to move from plane to automobile.

Panel-mount aviation products:

G1000	The G1000 integrates navigation, communication, attitude, weather, terrain, traffic, surveillance and engine information on large high-resolution color displays. The G1000 offers general aviation airplane manufacturers an easy-to-install solution for flight displays and provides the aircraft owner the benefits of a state-of-the-art avionics system which relies on modern technologies such as solid state components and bright, sunlight-readable TFT displays.
400 Series (3 models)	The GNS 430 was the world's first ''all-in-one'' IFR certified GPS navigation receiver/traditional VHF navigation receiver/instrument landing systems receiver and VHF communication transmitter/receiver. Features available in different 400 series models include 4-color map graphics, GPS, communication and navigation capabilities. The 430 Series units may now be ordered with or upgraded to Wide Area Augmentation System (WAAS) capability.
500 Series (2 models)	These units combine the features of the 400 series along with a larger 5" color display. The 530 Series units may now be ordered with or upgraded to Class B Terrain Awareness and Warning System (TAWS-B) and Wide Area Augmentation System (WAAS) capability.
GI-102A & 106A	Course deviation indicators (CDIs). The GI-106A features an instrument landing system receiver to aid in landing.
GMA 340 & 347	The GMA 340 is a feature-rich audio panel with six-place stereo intercom and independent pilot/co-pilot communications capabilities. The GMA 347 has automatic squelch, digital clearance recorder, and a full-duplex telephone interface.
GTX™ 330 & 330D	FAA-certified Mode S transponders with data link capability, including local air traffic information at FAA radar sites equipped with Traffic Information Service (TIS).
GTX 320A & 327	FAA-certified transponders which transmit altitude or flight identification to air traffic control radar systems or other aircraft's air traffic avoidance devices and feature solid-state construction for longer life. The GTX 327 offers a digital display with timing functions.
GTX 32	Remote mounted solid-state Mode C digital transponder. Its solid-state transmitter provides 200 watts of nominal power output. Compatible with GNS 480 and G1000 systems.
GTX 33 & 33D	Remote mounted Mode S, IFR-certified transponders with datalink capability, including local traffic updates. Receive FAA Traffic Information Services (TIS), including location, direction, altitude, and climb/descent information of nearby aircraft. Compatible with GNS 480 and G1000 systems.

GDL 90	The GDL 90 is the first airborne Automatic Dependent Surveillance-Broadcast (ADS-B) product certified by the FAA to TSO C145A standards. The GDL 90 allows pilots in the cockpit and air traffic controllers on the ground to "see" aircraft traffic with much more precision than has ever been possible before without the costly infrastructure of ground based tracking radar. The GDL 90 relies on the infrastructure that is part of the FAA's Safe Flight 21 program. This program is currently under development with implementation of the ground-based portion of the ADS-B network taking place along the East Coast and other selected areas of the U.S.A. Additional installations of the ADS-B ground stations are planned. The ground stations can track aircraft movement and eventually are expected be used to broadcast traffic and weather services. Pilots equipped with the GDL 90 and operating within the ground station coverage area will receive aircraft traffic and real-time weather information free of charge.
GDL 69 and 69A	The GDL 69 offers the ability to provide real-time weather information to the aircraft which can be displayed on one of several panel-mounted devices, such as the GNS 430, GNS 530, MX20, and G1000 systems. The GDL 69 and GDL 69A receive real-time weather information broadcast by the XM WX Satellite radio system. In addition, the GDL 69A expands the utility of the system by providing CD quality audio provided by XM Satellite Radio.
GNS 480	Integrated avionics unit with GPS navigation receiver certified for primary means Wide Area Augmentation System (WAAS)/GPS navigation and VHF navigation receiver/instrument landing systems receiver and VHF communication transmitter/receiver.
SL 30 and SL 40	The SL30 is a compact VHF navigation and communications unit that combines a 760-channel VHF communications radio with 200-channel glideslope and localizer receivers. The SL40 is a 760-channel VHF communications radio only. Both the SL30 and SL40 feature 10 watt communications transmitters.

Sales and Marketing

Garmin's consumer products are sold through a worldwide network of approximately 3,000 independent dealers and distributors in approximately 100 countries who meet our sales and customer service qualifications. No single customer represented 10% or more of Garmin's consolidated revenues in the fiscal year ended December 30, 2006. Marketing support is provided geographically from Garmin's offices in Olathe, Kansas (North, South and Central America), Romsey (effective April 2007 Southampton), U.K. (Europe, Middle East and Africa) and Shijr, Taiwan (Asia, Australia and New Zealand). Garmin's distribution strategy is intended to increase Garmin's global penetration and presence while maintaining high quality standards to ensure end-user satisfaction.

Garmin's U.S. consumer product marketing is handled through its dealers and distributors who are serviced by a staff of regional sales managers and in-house sales associates. Some of Garmin's larger consumer products dealers and distributors include:

- *Best Buy*—one of the largest U.S. electronics retailers;

- *BDI/Laguna*—a large distributor who sells to such dealers as Amazon.com;
- *Boaters World*—a leading off-shore marine retailer with multiple locations;
- *Cabela's*—a major hunting and fishing catalog retailer for the outdoor marine market with "super store" and "destination store" locations;
- *Circuit City*—a leading U.S. electronics retailer;
- *REI (Recreational Equipment Inc.)*—a specialty outdoor gear consumer cooperative;
- *Target*—a leading mass merchandise chain of retail stores;
- *Wal-Mart*—one of the world's largest mass retailers;
- *West Marine*—the largest U.S. marine retailer specializing in offshore boating equipment; and
- *Wynit*—a large distributor who sells to such dealers as Costco and Comp USA.

Garmin's Europe, Middle East and Africa consumer product marketing is handled through local distributors who resell to dealers. Working closely with Garmin's in-house sales and marketing staff in the U.K., these distributors are responsible for inventory levels and staff training requirements at each retail location. Garmin's Taiwan-based marketing team handles its Asia marketing effort.

Garmin's panel-mount aviation products are sold through distributors around the world. Garmin's largest aviation distributors include Sportsman's Market, Tropic Aero and JA Air Center. These distributors have the training, equipment and certified staff required for at-airport installation of Garmin's avionics equipment. Garmin's portable aviation products are sold through distributors and through catalogs.

In addition to the traditional distribution channels mentioned, Garmin has many relationships with original equipment manufacturers (OEM). In the consumer market, Garmin's products are sold to certain automotive and motorcycle OEMs such as Chrysler/Mopar, Toyota, Harley-Davidson, BMW Motorrad, and Honda Motorcycle and certain rental car companies including Dollar/Thrifty, Enterprise, Avis, Budget, National, and Alamo. Garmin has also developed promotional relationships with certain automotive dealerships in certain countries including BMW, Mazda, Saab and Ford. Garmin's products are also standard equipment on various models of boats manufactured by Allison Boats, Bennington Marine, Cigarette Racing Team, Inc., Cobalt Boats, G3 Boats, Premier Marine and Pro Sports Boats and are optional equipment on boats manufactured by Chaparral Boats, Inc., Cruiser Yachts, Formula Boats, Glacier Bay Catamarans, Inc., Mastercraft Boat Company and Pro-Line Boats. In the aviation market, Garmin's avionics are standard equipment on various models of aircraft built by Cessna Aircraft Company, Cirrus Design Corporation, Columbia Aircraft Manufacturing Corporation, Diamond Aircraft Industries, EADS SOCATA, Eurocopter, Mooney Aircraft Corporation, Raytheon Aircraft Company, Robinson Helicopter, and the New Piper Aircraft Company. Other aircraft manufacturers offer Garmin's products as optional equipment.

Competition

The market for navigation, communications and information products is highly competitive. 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.

Garmin believes that its principal competitors for portable automotive products are TomTom NV, Magellan Navigation, Inc. ("Magellan"), Alpine Electronics, Inc., Navman, Mio Technology Ltd. and Sony Corporation. Garmin believes that its principal competitors for handheld recreational product lines are Magellan and Lowrance Electronics, Inc. ("Lowrance") For marine chartplotter products, Garmin believes that its principal competitors are Raymarine Ltd. ("Raymarine"), Furuno Electronic Company ("Furuno"), Navman, the Standard Vertex Division of Yaesu Co. Ltd. ("Standard"), and Simrad Yachting AS. For Garmin's fishfinder/depth sounder product lines, Garmin believes that its principal competitors are Lowrance, Raymarine, the Humminbird division of Johnson Outdoors, Inc., Navman, Simrad and Furuno. For Garmin's general aviation product lines, Garmin considers its principal competitors to be Lowrance, for portable GPS units, and Honeywell, Inc., Avidyne Corporation, L-3 Avionics Systems, Meggitt PLC, Rockwell Collins, Inc., Universal Avionics Systems Corporation, Chelton Flight Systems and Free Flight Systems for panel-mount GPS and display units. For Garmin's Family Radio Service and General Mobile Radio Service product line, Garmin believes that its principal competitors are Motorola, Inc. ("Motorola"), Cobra and Audiovox Corporation.

Research and Development

Garmin’s product innovations are driven by its strong emphasis on research and development and the close partnership between Garmin’s engineering and manufacturing teams. Garmin’s products are created by its engineering and development staff, which numbered 970 people worldwide as of December 31, 2006. Garmin’s manufacturing staff includes manufacturing process engineers who work closely with Garmin’s design engineers to ensure manufacturability and manufacturing cost control for its products. Garmin’s development staff includes industrial designers, as well as software engineers, electrical engineers, mechanical engineers and cartographic engineers. Garmin believes the industrial design of its products has played an important role in Garmin’s success. Once a development project is initiated and approved, a multi-disciplinary team is created to design the product and transition it into manufacturing.

Below is a table of Garmin’s expenditures on research and development over the last three fiscal years.

	Fiscal Years Ended		
	December 30, 2006	December 31, 2005	December 25, 2004
($'s in thousands)			
Research and development	$113,314	$74,879	$61,580
Percent of net sales	6.4%	7.3%	8.0%

Manufacturing and Operations

Garmin believes that one of its core competencies is its manufacturing capability at its Shijr and Jhongli, Taiwan facilities, its Olathe, Kansas facility, and its Salem, Oregon facility. Garmin believes that its vertically integrated approach has provided it the following benefits:

Reduced time-to-market. Utilizing concurrent engineering techniques, Garmin’s products are introduced to production at an early development stage and the feedback provided by manufacturing is incorporated into the design before mass production begins. In this manner, Garmin attempts to reduce the time required to move a product from its design phase to mass production deliveries, with improved quality and yields. Reducing time to market has enabled Garmin to offer several industry firsts, such as the Rino GPS-enabled Family Radio Service/General Mobile Radio Service two-way radio, the iQue 3600a portable digital assistant with integrated GPS and mapping, and the GNS 430, which integrates traditional aviation navigation and communications systems with GPS in a single package.

Design and process optimization. Garmin uses its manufacturing resources to rapidly prototype design concepts, products and processes in order to achieve higher efficiency, lower cost and better value for customers. Garmin’s ability to fully explore product design and manufacturing process concepts has enabled it to optimize its designs to minimize size and weight in GPS devices that are functional, waterproof, and rugged.

Logistical agility. Operating its own manufacturing facilities helps Garmin minimize problems, such as component shortages and long component lead times which are common in the electronics industry. Many products can be re-engineered to bypass component shortages or reduce cost and the new designs can be delivered to market quickly. Garmin reacts rapidly to changes in market demand by striving to maintain a safety stock of long-lead components and by rescheduling components from one product line to another.

Garmin's design, manufacturing, distribution, and servicing processes in our US, Taiwan, and UK facilities are certified to ISO 9001-2000, an international quality standard developed by the International Organization for Standardization. Garmin's Taiwan manufacturing facilities have also achieved TS 16949:2002 certification, a quality standard for automotive suppliers. In addition, Garmin's aviation panel-mount products are designed and manufactured according to processes which are approved and monitored by the FAA.

In January 2007, Garmin's Taiwan facilities also achieved certification of their environmental management systems to the ISO14001:1994 standard. This certification recognizes that Garmin's Taiwan subsidiary has systems and processes in place to minimize or prevent harmful effects on the environment and to strive continually to improve its environmental performance.

Materials

Garmin purchases components for its products from a number of suppliers around the world. For certain components, Garmin relies on sole source suppliers. The failure of our suppliers to deliver components in sufficient quantities and in a timely manner could adversely affect our business.

Seasonality

Our sales are subject to some seasonal fluctuation. Typically, sales of our consumer products are highest in the second quarter, due to increased demand during the spring and summer marine season and the Father's Day/graduation buying season, and in the fourth quarter, due to increased demand during the holiday buying season. Sales of consumer products are also influenced by the timing of the release of new products. Our aviation products do not experience much seasonal variation, but are more influenced by the timing of the release of new products when the initial demand is typically the strongest.

Backlog

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

Intellectual Property

Our success and ability to compete is dependent in part on our proprietary technology. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as confidentiality agreements, to establish and protect our proprietary rights. As of February 26, 2007, we held 291 U.S. patents and 13 foreign patents. As of February 26, 2007, we had 190 U.S. patent applications and 26 foreign patent applications pending. In addition, Garmin often relies on licenses of intellectual property for use in its business. For example, Garmin obtains licenses for digital cartography technology for use in our products from various sources. As of February 26, 2007, we held 68 U.S. trademark registrations and 135 foreign trademark registrations. Additional trademarks are pending registration.

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 its trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity.

Regulations

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

Because Garmin Corporation, one of the Company's principal subsidiaries, is located in Taiwan, foreign exchange control laws and regulations of Taiwan with respect to remittances into and out of Taiwan may have an impact on Garmin's operations. The Taiwan Foreign Exchange Control Statute, and regulations thereunder, provide 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 China, also referred to as the CBC. Current regulations favor trade-related foreign exchange transactions. Consequently, foreign currency earned from exports of merchandise and services may now be retained and used freely by exporters, while all foreign currency needed for the import of merchandise and services may be purchased freely from the designated foreign exchange banks. Aside from trade-related foreign exchange transactions, Taiwan companies and residents may, without foreign exchange approval, remit outside and into Taiwan foreign currencies of up to $50 million and $5 million respectively, or their equivalent, each calendar year. Currency conversions within the limits are processed by the designated banks and do not have to be reviewed and approved by the CBC. The above limits apply to remittances involving a conversion between New Taiwan Dollars and U.S. Dollars or other foreign currencies. The CBC typically approves foreign exchange in excess of the limits if a party applies with the CBC for review and presents legitimate business reasons justifying the currency conversion. A requirement is also imposed on all enterprises to register all medium and long-term foreign debt with the CBC.

Environmental Matters

The European Union ("EU") has enacted the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive ("RoHS Directive") and the Waste Electrical and Electronic Equipment Directive ("WEEE Directive"). The RoHS Directive requires EU member states to enact laws prohibiting the use of certain substances, including lead, mercury, cadmium and hexavalent chromium, in certain electronic products put on the market after July 1, 2006. The WEEE Directive requires EU member states to enact laws that were to go into effect by August 13, 2005 regulating the collection, recovery and recycling of waste from certain electronic products. We have established a program in order to comply with such laws and regulations as they are enacted by the EU member states. We have modified the design of our products and our manufacturing processes in order to comply with such laws and regulations.

The People's Republic of China has enacted legislation which is widely known as "China RoHS". The first phase of China RoHS will take effect on March 1, 2007 and will require the disclosure and marking of certain substances, including lead, mercury, cadmium and hexavalent chromium in certain electronic products. We have established a program in order to comply with the first phase of China RoHS.

The State of California has enacted legislation similar to the RoHS Directive and other states and countries have promulgated or proposed legislation similar to the RoHS Directive and/or the WEEE Directive. The need for and cost of our compliance with such legislation cannot yet be determined but the cost could be substantial.

Several states have enacted laws pertaining to the reduction of mercury in products and the labeling of mercury-containing products, including the member states of the Interstate Mercury Education and Reduction Clearinghouse (IMERC). Some of these laws, including those in Connecticut, New York, Vermont and Louisiana, are applicable to certain of Garmin's GPS products. We have established an ongoing compliance program to ensure that we are fulfilling the notice and labeling requirements set forth in the relevant mercury legislation.

Portable Garmin products which use AC/DC adapters as an option for battery charging would require submissions of energy-use profiles if and when the future implementing measures resulting from the EU EuP (Energy Using Products) Directive define such products as being within their scope.

Employees

As of December 30, 2006, Garmin had 4,751 full-time employees worldwide, of whom 1,728 were in the United States, 53 were in Canada, 2,807 were in Taiwan, 160 were in Europe, and 3 were in other global locations. None of Garmin's employees are represented by a labor union or covered by a collective bargaining agreement. Garmin considers its employee relations to be good.

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

Our Global Positioning System products depend upon satellites maintained by the United States Department of Defense. If a significant number of these satellites become inoperable, unavailable or are not replaced or if the policies of the United States government for the use of the Global Positioning System without charge are changed or if there is interference with Global Positioning System signals, our business will suffer.

The Global Positioning System is a satellite-based navigation and positioning system consisting of a constellation of orbiting satellites. The satellites and their ground control and monitoring stations are maintained and operated by the United States Department of Defense. The Department of Defense does not currently charge users for access to the satellite signals. These satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The satellites were originally designed to have lives of 7.5 years and are subject to damage by the hostile space environment in which they operate. However, of the current deployment of satellites in place, some have been operating for more than 13 years.

If a significant number of satellites were to become inoperable, unavailable or are not replaced, it would impair the current utility of our Global Positioning System products and would have a material negative effect on our business. In addition, there can be no assurance that the U.S. government will remain committed to the operation and maintenance of Global Positioning System satellites over a long period, or that the policies of the U.S. government that provide for the use of the Global Positioning System without charge and without accuracy degradation will remain unchanged. Because of the increasing commercial applications of the Global Positioning System, other U.S. government agencies may become involved in the administration or the regulation of the use of Global Positioning System signals. However, in a presidential policy statement issued in December 2004, the Bush administration indicated that the U.S. is committed to supporting and improving the Global Positioning System and will continue providing it free from direct user fees.

Some of our products also use signals from systems that augment GPS, such as the Wide Area Augmentation System (WAAS). WAAS is operated by the Federal Aviation Administration (FAA). Any curtailment of the operating capability of WAAS could result in decreased user capability for many of our aviation products, thereby impacting our markets.

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

A shut down of U.S. airspace or imposition of restrictions on general aviation would harm our business.

On September 11, 2001, terrorists hijacked and crashed four passenger aircraft operated by commercial air carriers, resulting in major loss of life and property. Following the terrorist attacks, the FAA ordered all aircraft operating in the U.S. to be grounded for several days. In addition to this shut down of U.S. airspace, the general aviation industry was further impacted by the additional restrictions implemented by the FAA on those flights that fly utilizing Visual Flight Rules (VFR). The FAA restricted VFR flight inside 30 enhanced Class B (a 20-25 mile radius around the 30 largest metropolitan areas in the USA) airspace areas. The Aircraft Owners and Pilots Association (AOPA) estimated that these restrictions affected approximately 41,800 general aviation aircraft based at 282 airports inside the 30 enhanced Class B airspace areas. The AOPA estimates that approximately 90% of all general aviation flights are conducted VFR, and that only 15% of general aviation pilots are current to fly utilizing Instrument Flight Rules (IFR).

The shut down of U.S. airspace following September 11, 2001 caused reduced sales of our general aviation products and delays in the shipment of our products manufactured in our Taiwan manufacturing facility to our distribution facility in Olathe, Kansas, thereby adversely affecting our ability to supply new and existing products to our dealers and distributors.

Any future shut down of U.S. airspace or imposition of restrictions on general aviation could have a material adverse effect on our business and financial results.

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

Our Global Positioning System technology is dependent on the use of the Standard Positioning Service (SPS) provided by the U.S. Government's Global Positioning System satellites. The Global Positioning System operates in radio frequency bands that are globally allocated for radio navigation satellite services. The assignment of spectrum is controlled by an international organization known as the International Telecommunications Union (''ITU''). The Federal Communications Commission (''FCC'') is responsible for the assignment of spectrum for non-government use in the United States in accordance with ITU regulations. Any ITU or FCC reallocation of radio frequency spectrum, including frequency band segmentation or sharing of spectrum, could cause interference with the reception of Global Positioning System signals and may materially and adversely affect the utility and reliability of our products, which would, in turn, have a material adverse effect on our operating results. In addition, emissions from mobile satellite service and other equipment operating in adjacent frequency bands or inband may materially and adversely affect the utility and reliability of our products, which could result in a material adverse effect on our operating results. The FCC continually receives proposals for new technologies and services, such as ultra-wideband technologies, which may seek to operate in, or across, the radio frequency bands currently used by the GPS SPS. Adverse decisions by the FCC that result in harmful interference to the delivery of the GPS SPS may materially and adversely affect the utility and reliability of our products, which could result in a material adverse effect on our business and financial condition.

If we are not successful in the continued development, introduction or timely manufacture of new products, demand for our products could decrease.

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 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. From time to time we have experienced delays in shipping certain of our new products and any future delays, whether due to product development delays, manufacturing delays, lack of market acceptance, delays in regulatory approval, or otherwise, could have a material adverse effect on our results of operations.

If we 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.

Historically, we have experienced steady increases in demand for our products although we did experience a decline in demand for our aviation products in 2001 due to declining economic conditions and the shut down of U.S. airspace as a result of the terrorist attacks that occurred on September 11, 2001. We have generally been able to increase production to meet this increasing demand. However, the demand for our products depends on many factors and will be difficult to forecast. We expect that it will become more difficult to forecast demand as we introduce and support multiple products and as competition in the market for our products intensifies. Significant unanticipated fluctuations in demand could cause the following problems in our operations:

- If demand increases beyond what we forecast, we would have to rapidly increase production. We would depend on suppliers to provide additional volumes of components and those suppliers might not be able to increase production rapidly enough to meet unexpected demand.

- Rapid increases in production levels to meet unanticipated demand could result in higher costs for manufacturing and supply of components and other expenses. These higher costs could lower our profit margins. Further, if production is increased rapidly, manufacturing quality could decline, which may also lower our margins and reduce customer satisfaction.

- If forecasted demand does not develop, we could have excess production resulting in higher inventories of finished products and components, which would use cash and could lead to write-offs of some or all of the excess inventories. Lower than forecasted demand could also result in excess manufacturing capacity or reduced manufacturing efficiencies at our facilities, which could result in lower margins.

We may become subject to significant product liability costs.

If our aviation products malfunction or contain errors or defects, airplane collisions or crashes could occur resulting in property damage, personal injury or death. Malfunctions or errors or defects in our marine navigational products could cause boats to run aground or cause other wreckage, personal injury or death. If any of these events occurs, 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 generally will not cover awards of punitive damages. If we are unable to maintain sufficient insurance to cover product liability costs or if our insurance coverage does not cover the award, this could have a materially adverse impact on our business, financial condition and results of operations.

We depend on our suppliers, some of which are the sole source for specific components, and our production would be seriously harmed if these suppliers are not able to meet our demand and alternative sources are not available, or if the costs of components rise.

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

In the past (including in the first half of 2004) we have experienced shortages of liquid crystal displays and other components. In addition, if there are shortages in supply of components, the costs of such components may rise. If suppliers are unable to meet our demand for components on a timely basis and if we are unable to obtain an alternative source or if the price of the alternative source is prohibitive, or if the costs of components rise, our ability to maintain timely and cost-effective production of our products would be seriously harmed.

We license mapping data for use in our products from various sources. There are only a limited number of suppliers of mapping data for each geographical region. If we are unable to continue licensing such mapping data and are unable to obtain an alternative source, or if the price of the alternative source is prohibitive, our ability to supply mapping data for use in our products would be seriously harmed.

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

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

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

Failure to manage our growth and expansion effectively could adversely impact our business.

Our ability to successfully offer our products and implement our business plan in a rapidly evolving market requires an effective planning and management process. We continue to increase the scope of our operations domestically and internationally and have grown our shipments and headcount substantially. This growth has placed, and our anticipated growth in future operations will continue to place, a significant strain on our management systems and resources.

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

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

Gross margins for our products may fluctuate or erode.

Gross margins on our automotive/mobile products have been declining due to price reductions in the increasingly competitive market for personal navigation devices (PNDs). We expect that gross margins on automotive/mobile products will continue to erode. In addition, our overall gross margin may fluctuate from period to period due to a number of factors, including product mix, competition and unit volumes. In particular, the average selling prices of a specific product tend to decrease over that product’s life. To offset such decreases, we intend to rely primarily on obtaining yield improvements and corresponding cost reductions in the manufacture 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 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 would likely decline. As we expand our operations, our operating expenses, particularly our advertising and research and development costs, may increase as a percentage of our sales. If revenues decrease and we are unable to reduce those costs rapidly, our operating results would be negatively affected.

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

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

Our Taiwan subsidiary holds, and is expected to continue to hold, significant cash, cash equivalents, and marketable securities and receivables denominated in U.S. Dollars. Because the U.S. Dollar is the primary currency for our business and in order to substantially reduce the economic consequence of any variation in the exchange rate for the U.S. Dollar and the New Taiwan Dollar on these assets, management expects that the Taiwan subsidiary will continue to hold the majority of these assets in U.S. Dollar or U.S. Dollar denominated instruments. Nonetheless, U.S. GAAP requires the Company at the end of each accounting period to translate into New Taiwan dollars all such U.S. Dollar denominated assets held by our Taiwan subsidiary. This translation is required because the New Taiwan Dollar is the functional currency of the subsidiary. This U.S. GAAP-mandated translation will cause us to recognize gain or loss on our financial statements as the New Taiwan Dollar/U.S. Dollar exchange rate varies. Such gain or loss will create variations in our earnings per share. Because there is minimal cash impact caused by such exchange rate variations, management will continue to focus on the Company's operating performance before the impact of the foreign currency translation.

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

The markets for 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. 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.

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

We rely on a combination of patents, copyrights, trademarks and trade secrets, confidentiality provisions and licensing arrangements to establish and protect our proprietary rights. To this end, we hold rights to a number of patents and registered trademarks and regularly file applications to attempt to protect our rights in new technology and trademarks. However, there is no guarantee that our patent applications will become issued patents, or that our trademark applications will become registered trademarks. 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.

Third parties may claim that we are infringing their intellectual property rights. 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. 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. We might not have sufficient resources to pay for the licenses. 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.

Failure to obtain required certifications of our products on a timely basis could harm our business.

We have certain products, especially in our aviation segment, that are subject to governmental and similar certifications before they can be sold. For example, 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, therefore, our operating results. In addition, we cannot assure you that our certified products will not be decertified. Any such decertification could have an adverse effect on our operating results.

Our business is subject to economic, political and other risks associated with international sales and operations.

Our business is subject to risks associated with doing business internationally. We estimate that approximately 38% of our net sales in the fiscal year ended December 30, 2006 represented products shipped to international destinations. Accordingly, our business, financial condition and results of operations could be harmed by a variety of international factors, including:

- changes in foreign currency exchange rates;
- changes in a specific country's or region's political or economic conditions, particularly in emerging markets;
- trade protection measures and import or export licensing requirements;
- potentially negative consequences from changes in tax laws;
- difficulty in managing widespread sales and manufacturing operations; and
- less effective protection of intellectual property.

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

Relations between Taiwan and the People's Republic of China, also referred to as the PRC, and other factors affecting the political or economic conditions of Taiwan in the future could materially adversely affect our business, financial condition and results of operations and the market price and the liquidity of our shares. Our principal manufacturing facilities where we manufacture all of our products, except our panel-mounted aviation products, are located in Taiwan.

Taiwan has a unique international political status. The PRC asserts sovereignty over all of China, including Taiwan, certain other islands and all of mainland China. The PRC government does not recognize the legitimacy of the Taiwan government. Although significant economic and cultural relations have been established during recent years between Taiwan and the PRC, the PRC government has indicated that it may use military force to gain control over Taiwan in certain circumstances, such as the declaration of independence by Taiwan. Relations between Taiwan and the PRC have on occasion adversely affected the market value of Taiwanese companies and could negatively affect our operations in Taiwan in the future.

There is uncertainty as to our shareholders' ability to enforce certain foreign civil liabilities in the Cayman Islands and Taiwan.

We are a Cayman Islands 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 the Cayman Islands 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 the Cayman Islands or Taiwan against us predicated upon the securities laws of the United States or any state thereof.

Our shareholders may face difficulties in protecting their interests because we are incorporated under Cayman Islands law.

Our corporate affairs are governed by our Memorandum and Articles of Association, as amended, and by the Companies Law (2004 Revision) and the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as under statutes or judicial precedent in existence in jurisdictions in the United States. Therefore, you may have more difficulty in protecting your interests in the face of actions by the management, directors or our controlling shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States, due to the comparatively less developed nature of Cayman Islands law in this area.

Unlike many jurisdictions in the United States, Cayman Islands law does not specifically provide for shareholder appraisal rights on a merger or consolidation of a company. This may make it more difficult for you to assess the value of any consideration you may receive in a merger or consolidation or to require that the offeror give you additional consideration if you believe the consideration offered is insufficient.

Shareholders of Cayman Islands exempted companies such as ourselves have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders of the company. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Subject to limited exceptions, under Cayman Islands law, a minority shareholder may not bring a derivative action against the board of directors. Our Cayman Islands counsel has advised that they are not aware of any reported class action or derivative action having been brought in a Cayman Islands court.

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

We intend to evaluate acquisition opportunities and opportunities to make investments in complementary businesses, technologies, services or products, or to enter into any strategic partnerships with parties who can provide access to those assets, additional product or services offerings or additional industry expertise. In December 2006, we acquired Dynastream Innovations, Inc. In January 2007, we acquired Digital Cyclone, Inc. and EME TecSat SAS. 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 future acquisition could result in difficulties assimilating acquired 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. In addition, the key personnel of the acquired company may decide not to work for us. Our management has had limited experience in assimilating acquired organizations and products into our operations. We may not successfully integrate internal controls, compliance under the Sarbanes-Oxley Act of 2002 and other corporate governance 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.

We have benefited in the past from Taiwan government tax incentives offered on certain high technology capital investments that may not always be available.

Our effective tax rate is lower than the U.S. Federal statutory rate, because we have benefited from incentives offered in Taiwan related to our high technology investments in Taiwan. The loss of these tax benefits could have a significant effect on our financial results in the future.

Changes in our United States federal income tax classification or in applicable tax law could result in adverse tax consequences to our shareholders.

We do not believe that we (or any of our non-United States subsidiaries) are currently a ''passive foreign investment company'' for United States federal income tax purposes. We do not expect to become a passive foreign investment company. However, because the passive foreign investment company determination is made annually on the basis of facts and circumstances that may be beyond our control and because the principles for applying the passive foreign investment company tests are not entirely clear, we cannot assure that we will not become a passive foreign investment company. If we are a passive foreign investment company in any year, then any of our shareholders that is a United States person could be liable to pay tax at ordinary income tax rates plus an interest charge upon some distributions by us or when that shareholder sells our common shares at a gain. Further, if we are classified as a passive foreign investment company in any year in which a United States person is a shareholder, we generally will continue to be treated as a passive foreign investment company with respect to such shareholder in all succeeding years, regardless of whether we continue to satisfy the income or asset tests described above. Additional tax considerations would apply if we or any of our subsidiaries were a controlled foreign corporation.

Risks Relating to Our Shares

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

The market price of our common shares has been, and may continue to be, highly volatile. During 2006, the closing price of our common shares ranged from a low of $29.75 to a high of $56.89. A variety of factors could cause the price of our common shares to fluctuate, perhaps substantially, including:

- announcements and rumors of developments related to our business or the industry in which we compete;
- quarterly fluctuations in our actual or anticipated operating results;
- the availability, pricing and timeliness of delivery of components, such as flash memory and liquid crystal displays, used in our products;
- general conditions in the worldwide economy, including fluctuations in interest rates;
- announcements of technological innovations;
- new products or product enhancements by us or our competitors;
- product obsolescence and our ability to manage product transitions;
- developments in patents or other intellectual property rights and litigation;
- developments in our relationships with our customers and suppliers; and
- any significant acts of terrorism against the United States, Taiwan or significant markets where we sell our products.

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, and the market price of our common shares may decline.

Our officers and directors exert substantial influence over us.

As of February 15, 2007 members and former members of our Board of Directors and our executive officers, together with members of their families and entities that may be deemed affiliates of or related to such persons or entities, beneficially owned approximately 41% of our outstanding common shares. Accordingly, these shareholders may be able to determine the outcome of corporate actions requiring shareholder approval, such as mergers and acquisitions. 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.

Provisions in our shareholder rights plan and our charter documents might deter, delay or prevent a third party from acquiring us and Cayman Islands corporate law may impede a takeover, which could decrease the value of our shares.

Our Board of Directors has the authority to issue up to 1,000,000 preferred shares and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the shareholders. This could have an adverse impact on the market price of our common shares. We have no present plans to issue any preferred shares, but we may do so. The rights of the holders of common shares may be subject to, and adversely affected by, the rights of the holders of any preferred shares that may be issued in the future. In addition, we have adopted a classified board of directors. Our shareholders are unable to remove any director or the entire board of directors without a super majority vote. In addition, a super majority vote is required to approve transactions with interested shareholders. Shareholders do not have the right to call a shareholders meeting. We have adopted a shareholders' rights plan which under certain circumstances would significantly impair the ability of third parties to acquire control of us without prior approval of our Board of Directors. This shareholders' rights plan and the provisions in our charter documents could make it more difficult for a third party to acquire us, even if doing so would benefit our shareholders.

Unlike many jurisdictions in the United States, Cayman Islands law does not currently provide for mergers as that expression is understood under corporate law in the United States. While Cayman Islands law does have statutory provisions that provide for the reconstruction and amalgamation of companies, which are commonly referred to in the Cayman Islands as a "scheme of arrangement," the procedural and legal requirements necessary to consummate these transactions are more rigorous and take longer to complete than the procedures typically required to consummate a merger in the United States. Under Cayman Islands law and practice, a scheme of arrangement in relation to a solvent Cayman Islands exempted company must be approved at a shareholders' meeting by a majority of the company's shareholders who are present and voting (either in person or by proxy) at such meeting. The shares voted in favor of the scheme of arrangement must also represent at least 75% of the value of each class of the company's shareholders (excluding the shares owned by the parties to the scheme of arrangement) present and voting at the meeting. The Grand Court of the Cayman Islands must also sanction the convening of these meetings and the terms of the amalgamation. Although there is no requirement to seek the consent of the creditors of the parties involved in the scheme of arrangement, the Grand Court typically seeks to ensure that the creditors have consented to the transfer of their liabilities to the surviving entity or that the scheme of arrangement does not otherwise materially adversely affect the creditors' interests. Furthermore, the Grand Court will only approve a scheme of arrangement if it is satisfied that:

- the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the scheme of arrangement is such as a businessman would reasonably approve; and
- the scheme of arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Garmin International, Inc. and Garmin USA, Inc., occupy a facility of approximately 750,000 square feet on 42 acres in Olathe, Kansas, where the majority of product design and development work is conducted, the majority of aviation panel-mount products are manufactured and products are warehoused, distributed, and supported for North, Central and South America. Garmin's subsidiary, Garmin Realty, LLC also owns an additional 46 acres of land on the Olathe site for future expansion. In connection with the bond financings for the facility in Olathe and the expansion of that facility, the City of Olathe holds the legal title to the Olathe facility which is leased to Garmin's subsidiaries by the City. Upon the payment in full of the outstanding bonds, the City of Olathe is obligated to transfer title to Garmin's subsidiaries for the aggregate sum of $200. Garmin International, Inc. has purchased all the outstanding bonds and continues to hold the bonds until maturity in order to benefit from property tax abatement.

Garmin Corporation, owns and occupies a 249,326 square feet facility in Shijr, Taipei County, Taiwan and a 223,469 square feet facility in Jhongli, Tao-Yang County, Taiwan where it manufactures all of Garmin's consumer and portable aviation products and warehouses, markets and supports products for the Pacific Rim countries.

Garmin AT, Inc. leases approximately 15 acres of land in Salem, Oregon under a ground lease. This ground lease expires in 2030 but Garmin AT has the option to extend the ground lease until 2050. Garmin AT, Inc. owns and occupies a 52,000 square foot facility and a 33,000 square foot aircraft hangar, flight test and certification facility on this land.

Garmin International, Inc. leases 148,320 square feet of land at New Century Airport in Gardner, Kansas under a ground lease which expires in 2026. Garmin International, Inc. owns and occupies a 47,254 square foot aircraft hangar, flight test and certification facility on this land which is used in development and certification of aviation products.

Garmin International, Inc. leases approximately 15,000 square feet of space at 669 North Michigan Avenue in Chicago, Illinois which is used as a retail store and showroom for Gamin products. This lease expires in November 2016.

Garmin International, Inc. also leases an aggregate of 3,233 square feet of office space in Tempe, Arizona for software development, and in Wichita, Kansas for support of Garmin's aviation original equipment manufacturer operations. In addition, Garmin International, Inc. leases 1,700 square feet of office space in Sausalito, California which houses the MotionBased division of Garmin International, Inc.

Garmin (Europe) Ltd. leases an aggregate of 33,642 square feet under four leases in Romsey, England for warehousing, marketing and supporting Garmin products in Europe, Africa and the Middle East. Garmin (Europe) Ltd. also repairs products at this facility. In October 2006, Garmin (Europe) Ltd purchased a 155,000 sq. ft. building located in Totton, Southampton, England and expects to relocate its operations to this building beginning in April 2007.

Dynastream Innovations, Inc. leases an aggregate of 14,575 square feet in two buildings in Cochrane, Alberta, Canada.

Item 3. Legal Proceedings

Encyclopaedia Britannica, Inc. v. Alpine Electronics of America, Inc., Alpine Electronics, Inc., Denso Corporation, Toyota Motor Sales, U.S.A., Inc., American Honda Motor Co., Inc., and Garmin International, Inc.

On May 16, 2005, Encyclopaedia Britannica, Inc. ("Encyclopaedia Britannica") filed suit in the United States District Court for the Western District of Texas, Austin Division, against Garmin's wholly owned subsidiary Garmin International, Inc. ("Garmin International") and five other unrelated companies, alleging infringement of U.S. Patent No. 5,241,671 ("the '671 patent"). Garmin International believes that it should not be found liable for infringement of the '671 patent and additionally that the '671 patent is invalid. On December 30, 2005, Garmin International filed a Motion for Summary Judgment for Claim Invalidity Based on Indefiniteness. On March 1, 2006 the court held a hearing on construction of the claims of the '671 patent. The parties await the court's ruling on Garmin's summary judgment motion and the court's claim construction order. On May 23, 2006, Encyclopaedia Britannica filed an amended complaint claiming that Garmin International and the other defendants also infringe U.S. Patent No. 7,051,018 ("the '018 patent"), a continuation patent of the '671 patent, which issued on May 23, 2006. Garmin International believes that it should not be found liable for infringement of the '018 patent and additionally that the '018 patent is invalid. On July 25, 2006, Encyclopaedia Britannica filed a new complaint claiming that Garmin International and the other defendants also infringe U.S. Patent No. 7,082,437 ("the '437 patent"), a continuation patent of the '671 patent, which issued on July 25, 2006. Garmin International believes that it should not be found liable for infringement of the '437 patent and additionally that the '437 patent is invalid. Although there can be no assurance that an unfavorable outcome of this litigation would not have a material adverse effect on our operating results, liquidity or financial position, we believe that the claims are without merit and we will vigorously defend these actions.

Garmin Ltd. v. TomTom, Inc.; Garmin Corporation v. TomTom, Inc. (Wisconsin)

These lawsuits were filed by Garmin Ltd. and Garmin Corporation against TomTom, Inc. ("TomTom") on January 31, 2006 and February 1, 2006, respectively, in the United States District Court for the Western District of Wisconsin. The lawsuits have been consolidated. Garmin Ltd. and Garmin Corporation filed an amended complaint on May 5, 2006. The amended complaint claims that certain TomTom products infringe U.S. Patents Nos. 6,188,956 and 6,222,485 owned by Garmin Corporation and U.S. Patents Nos. 6,901,330; 6,687,615 and 6,999,873 owned by Garmin Ltd. On April 27, 2006, TomTom served amended answers and counterclaims on Garmin Ltd. and Garmin Corporation which claim that certain products sold by these companies are infringing three U.S. patents that were purchased by an affiliate of TomTom International, B.V. from Horizon Navigation, Inc. on April 21, 2006. The three patents are U.S. Patents 5,291,412, 5,550,538 and 5,922,042. The amended answers and counterclaims also added Garmin International, Inc. as a counterclaim defendant. On December 22, 2006 the court ruled on summary judgment motions filed by the parties. The court ruled that Garmin Ltd. and its subsidiaries did not infringe any claim of any of the three patents asserted by TomTom in its counterclaims, that TomTom did not infringe certain claims of the patents asserted by Garmin and that certain claims of some of the patents asserted by Garmin were invalid. Ten claims asserted against TomTom by Garmin under a total of four patents remain unadjudicated and Garmin has filed a motion to reopen the case to address these claims. This motion is currently pending before the court.

Garmin Ltd. v. TomTom, Inc. (Texas)

On August 23, 2006, Garmin Ltd. filed a lawsuit in the United States District Court for the Eastern District of Texas claiming that certain TomTom products infringe U.S. Patent No. 7,062,378 owned by Garmin Ltd. On October 20, 2006 TomTom filed an answer denying infringement and also filed a motion to transfer the lawsuit to the United States District Court for the Western District of Wisconsin, which motion has been opposed by Garmin. On December 20, 2006 the court held a hearing on the motion to transfer and the motion is currently pending before the court. The case is currently in the early stages of discovery. Pending its ruling on the motion to transfer, the court has scheduled the trial for November 2008.

Garmin (Europe) Ltd., Garmin International, Inc, Garmin Corporation and Garmin Ltd. v. TomTom International B.V.

Garmin Ltd. and the above-named subsidiaries of Garmin Ltd. filed a lawsuit against TomTom International B.V. in the District Court in the Hague, the Netherlands, on June 27, 2006. The lawsuit seeks a declaration of non-infringement of TomTom's European Community Registered Design No. 000267968-001 (the "Registered Design"). TomTom responded on July 14, 2006 by filing an action for preliminary relief in the District Court in the Hague, the Netherlands, claiming that certain models of Garmin's StreetPilot products infringe the Registered Design. TomTom has also filed a counterclaim for infringement of the Registered Design in the main lawsuit. On November 2, 2006, the court issued a judgment in the preliminary relief proceedings finding that Garmin's products do not infringe the Registered Design and denying TomTom's claim for preliminary relief. TomTom has filed an appeal of this judgment. The court also awarded Garmin approximately 37,000 euros for attorneys' fees and costs. Garmin believes that none of its products infringe the Registered Design and Garmin is prosecuting vigorously its action for a declaration of non-infringement. Although there can be no assurance that an unfavorable outcome of this litigation would not have a material adverse effect on our operating results, liquidity or financial position, we believe that our products do not infringe the Registered Design and we intend to vigorously prosecute our lawsuit seeking a declaration of non-infringement.

Garmin (Europe) Ltd. v. TomTom International B.V.

On July 17, 2006, Garmin (Europe) Ltd. filed a lawsuit against TomTom International B.V. in the High Court of Justice in London, England. The lawsuit seeks a declaration that United Kingdom Patent No. GB 2400293 B (the "'293 patent") owned by TomTom International B.V., is invalid and an order that the '293 patent be revoked. On July 31, 2006, TomTom International B.V. filed a defense indicating that it intended to defend this lawsuit and also filed a counterclaim alleging that certain models of Garmin's StreetPilot products and Garmin's nüvi products infringe the '293 patent. Garmin (Europe) Ltd. believes that none of its products infringe the '293 patent and that the '293 patent is invalid. On December 20, 2006, Garmin (Europe) Ltd. filed a second lawsuit against TomTom International B.V. in the High Court of Justice in London, England. This lawsuit seeks declarations that United Kingdom Patent Nos. GB 2400292 B (the "'292 patent") and GB 2400294 B (the "'294 patent"), owned by TomTom International B.V., are invalid and seeks orders that the '292 and '294 patents be revoked. On January 17, 2007, TomTom International B.V. filed a defense indicating that it intended to defend this lawsuit. Garmin (Europe) Ltd. intends to prosecute vigorously its actions seeking declarations of invalidity and revocation of the '292, '293, and '294 patents and to defend vigorously TomTom's allegation of infringement of the '293 patent. Although there can be no assurance that an unfavorable outcome of this litigation would not have a material adverse effect on our operating results, liquidity or financial position, we believe that TomTom's counterclaim under the '293 patent is without merit and we intend to vigorously defend it.

From time to time the Company is involved in other legal actions arising in the ordinary course of our business. We believe that the ultimate outcome of these actions will not have a material adverse effect on our business, financial condition and results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of shareholders of Garmin during the fourth fiscal quarter of 2006.

Executive Officers of the Registrant

Pursuant to General Instruction G(3) of Form 10-K and instruction 3 to paragraph (b) of Item 401 of Regulation S-K, the following list is included as an unnumbered Item in Part I of this Annual Report on Form 10-K in lieu of being included in the Company's Definitive Proxy Statement in connection with its annual meeting of shareholders scheduled for June 8, 2007.

Dr. Min H. Kao, age 58, has served as Chairman of Garmin Ltd. since August 2004 and was previously Co-Chairman of Garmin Ltd. from August 2000 to August 2004. He has served as Chief Executive Officer of Garmin Ltd. since August 2002 and previously served as Co-Chief Executive Officer from August 2000 to August 2002. He has been President of Garmin Corporation since January 1999. He has also been Chairman and a director of Garmin Corporation since January 1990. Dr. Kao has been President of Garmin International, Inc. since March 2002, Chairman of Garmin International, Inc. since July 2004 and a director of Garmin International, Inc. since August 1990. He served as Vice President of Garmin International, Inc. from April 1991 to March 2002. Dr. Kao has been President of Garmin USA, Inc. since March 2002 and a director of Garmin USA, Inc. since December 2001. Dr. Kao has been President of Garmin AT, Inc. and a director of Garmin AT, Inc. since August 2003. He served as Vice President of Garmin USA, Inc. from December 2001 to March 2002. Dr Kao has been a director of Garmin (Europe) Ltd. since 1992, a director of Garmin N.V. and Garmin B.V. since 2005 and a director of Dynastream Innovation, Inc, since December 2006. 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.

Kevin S. Rauckman, age 44, has served as Chief Financial Officer and Treasurer of Garmin Ltd. since August 2000. He has been Director of Finance and Treasurer of Garmin International, Inc. since January 1999 and a director of Garmin International, Inc. since April 2001. He has been Treasurer and a director of Garmin USA, Inc. since December 2001. Mr. Rauckman has been Chief Financial Officer and Treasurer and a director of Garmin AT, Inc. since August 2003. Mr. Rauckman has been a director of Garmin Corporation since July 2004. Mr. Rauckman has been a director of Garmin (Europe) Ltd. since July 2004 and a director of Dynastream Innovations, Inc. since December 2006. Mr. Rauckman holds BS and MBA degrees in Business from the University of Kansas.

Andrew R. Etkind, age 51, has served as General Counsel and Secretary of Garmin Ltd. since August 2000. He has been General Counsel of Garmin International, Inc. since February 1998 and Secretary since October 1998. He has been General Counsel and Secretary of Garmin USA, Inc. since December 2001. Mr. Etkind has been General Counsel and Secretary of Garmin AT, Inc. since August 2003. He has been Secretary of Garmin (Europe) Ltd. since March 2001 and a director of Garmin N.V. since 2005. Mr. Etkind holds BA, MA and LLM degrees from Cambridge University, England and a JD degree from the University of Michigan Law School.

Clifton A. Pemble, age 41, has served as a director of Garmin Ltd. since August 2004. He has been a director of Garmin International, Inc. and Garmin USA, Inc. since July 2004. He has been a director of Garmin Corporation and Garmin (Europe) Ltd. since July 2004. Mr. Pemble has been a director of Garmin AT, Inc. since August 2003 and a director of Dynastream Innovations, Inc. since December 2006.. He has been Vice President, Engineering of Garmin International, Inc. since 2005. Previously, he was Director of Engineering of Garmin International, Inc. from 2003 to 2005 and Software Engineering Manager of Garmin International, Inc. from 1995 to 2002 and a Software Engineer with Garmin International, Inc. from 1989 to 1995. Mr. Pemble holds BA degrees in Mathematics and Computer Science from MidAmerica Nazarene University.

Gary V. Kelley, age 60, has been Vice President, Marketing of Garmin International, Inc. since 2005. Previously, he was Director of Marketing of Garmin International, Inc. from 1992 to 2005. He has also been Director of Marketing of Garmin USA, Inc. since January 2002. Mr. Kelley was a director of Garmin (Europe) Ltd. from 1993 to 2004. Mr. Kelley holds a BBA degree from Baker University. He also holds a commercial pilot license with instrument and flight instructor ratings.

Brian J. Pokorny, age 43, has been Vice President, Operations of Garmin International, Inc. since 2005. Previously, he was Director of Operations of Garmin International, Inc. from 1997 to 2005 and Production Planning Manager of Garmin International, Inc. from 1995 to 1997. Mr. Pokorny holds a BS degree in Business Management and a MBA from the University of Nebraska - Lincoln and holds the professional certification of CPIM (Certified in Production and Inventory Management).

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

PART II

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

Garmin's common shares have traded on the Nasdaq National Market under the symbol "GRMN" since its initial public offering on December 8, 2000 (the "IPO"). As of February 23, 2007, there were 226 shareholders of record.

On August 15, 2006, a two-for-one stock split of Garmin's common shares was effected.

The range of high and low closing sales prices of Garmin's common shares as reported on the Nasdaq Stock Market for each fiscal quarter of fiscal years 2006 and 2005 was as follows:

	Year Ended			
	December 30, 2006		December 31, 2005	
	High	Low	High	Low
First Quarter	$42.39	$29.75	$31.00	$23.47
Second Quarter	$54.75	$39.97	$23.16	$19.75
Third Quarter	$54.10	$41.20	$33.67	$20.54
Fourth Quarter	$56.89	$44.53	$35.21	$27.32

The Board of Directors declared a cash dividend of $0.25 per common share to shareholders of record on December 1, 2005 which was paid on December 15, 2005. The Board of Directors declared a cash dividend of $0.50 per common share to shareholders of record on December 1, 2006 which was paid on December 15, 2006. All dividend amounts and share prices are after giving effect to the August 15, 2006 two-for-one stock split.

Garmin currently expects to pay a cash dividend in December 2007.

The Board of Directors approved a share repurchase program on August 3, 2006, authorizing the Company to purchase up to 3.0 million shares of Garmin's common shares as market and business conditions warrant. The share repurchase authorization expires on December 31, 2007. There were 1,155,300 shares purchased under this authorization during the fiscal year ended December 30, 2006, and 1,844,700 are available for purchase until December 31, 2007.

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.

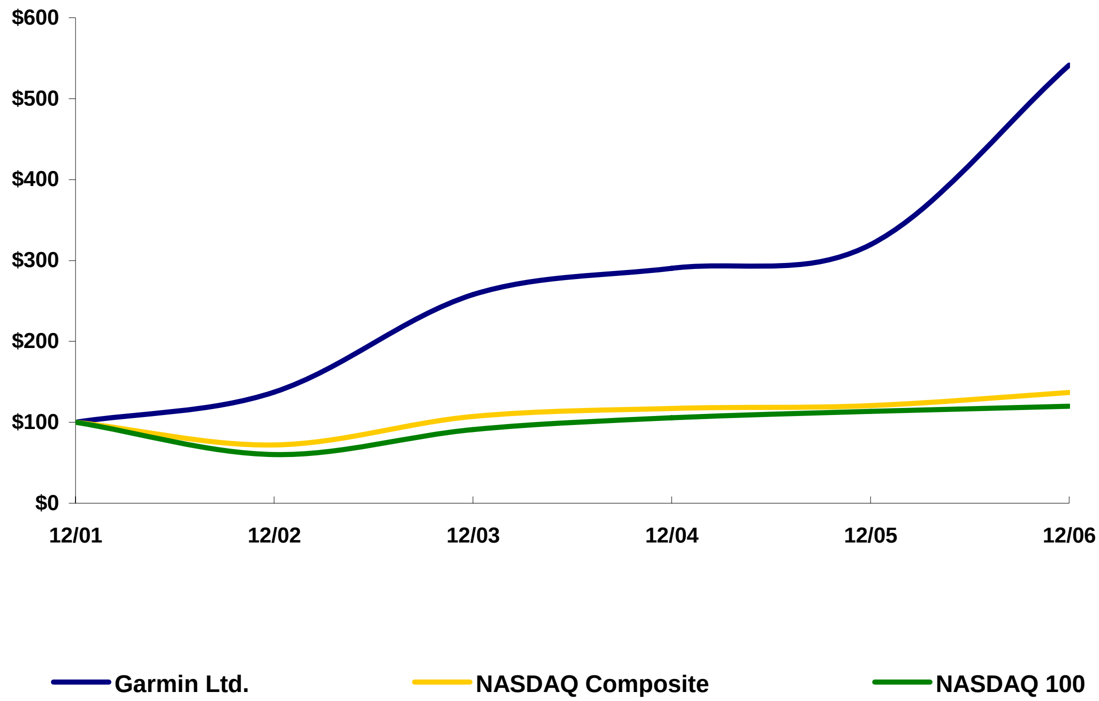
Stock Performance Graph

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 following graph illustrates the cumulative total shareholder return (rounded to the nearest whole dollar) of Garmin common shares during the period from December 31, 2001 through December 31, 2006, and compares it to the cumulative total return on the NASDAQ Composite Index and the NASDAQ 100 Index. Garmin is one of the constituent companies of the NASDAQ 100 Index. The comparison assumes a $100 investment on December 31, 2001, in Garmin common shares and in each of the foregoing indexes and assumes reinvestment of dividends.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Garmin Ltd., The NASDAQ Composite Index
And The NASDAQ 100 Index



* $100 invested on 12/31/01 in stock or index-including reinvestment of dividends.
Fiscal year ending December 31.

	12/01	12/02	12/03	12/04	12/05	12/06
Garmin Ltd.	**100.00**	**137.43**	**257.82**	**290.39**	**319.52**	**541.42**
NASDAQ Composite	**100.00**	**71.97**	**107.18**	**117.07**	**120.50**	**137.02**
NASDAQ 100	**100.00**	**60.02**	**90.98**	**105.67**	**113.63**	**119.74**

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

Item 6. Selected Financial Data

The following table sets forth selected consolidated financial data of the Company. The selected consolidated balance sheet data as of December 30, 2006 and December 31, 2005 and the selected consolidated statement of income data for the years ended December 30, 2006, December 31, 2005, and December 25, 2004 were derived from the Company's audited consolidated financial statements and the related notes thereto which are included in Item 8 of this annual report on Form 10-K. The selected consolidated balance sheet data as of December 25, 2004, December 27, 2003, and December 28, 2002, and the selected consolidated statement of income data for the years ended December 27, 2003 and December 28, 2002 were derived from the Company's audited consolidated financial statements, not included herein.

The information set forth below is not necessarily indicative of the results of future operations and should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes to those statements included in Items 7 and 8 in Part II of this Form 10-K.

	Years ended (1)				
	Dec. 30, 2006	**Dec. 31, 2005**	**Dec. 25, 2004**	**Dec. 27, 2003**	**Dec. 28, 2002**
	(in thousands, except per share data)				
Consolidated Statements of Income Data:					
Net sales	$1,774,000	$1,027,773	$762,549	$572,989	$465,144
Cost of goods sold	891,614	492,703	351,310	242,448	210,088
Gross profit	882,386	535,070	411,239	330,541	255,056
Operating expenses:					
Selling, general and administrative	214,513	122,021	78,991	59,835	45,453
Research and development	113,314	74,879	61,580	43,706	32,163
Total operating expenses	327,827	196,900	140,571	103,541	77,616
Operating income	554,559	338,170	270,668	227,000	177,440
Other income/(expense), net (2), (3)	39,995	34,430	(15,457)	(1,057)	5,294
Income before income taxes	594,554	372,600	255,211	225,943	182,734
Income tax provision	80,431	61,381	49,511	47,309	39,937
Net income	$514,123	$311,219	$ 205,700	$ 178,634	$142,797
Net income per share: (4)					
Basic	$2.38	$1.44	$0.95	$0.83	$0.66
Diluted	$2.35	$1.43	$0.94	$0.82	$0.66
Weighted average common shares outstanding: (4)					
Basic	216,340	216,294	216,322	216,022	215,548
Diluted	218,845	218,236	218,060	217,804	216,402
Cash dividends per share (4)	$0.50	$0.25	$0.25	$0.25	$0.00
Balance Sheet Data (at end of Period):					
Cash and cash equivalents	$337,321	$334,352	$249,909	$274,329	$216,768
Marketable securities	480,876	376,723	322,215	221,447	245,708
Total assets	1,897,020	1,362,235	1,117,391	856,945	705,888
Total debt (5)	248	0	0	0	20,000
Total stockholders' equity	1,557,899	1,157,264	935,857	749,690	602,499

(1) Our fiscal year-end is the last Saturday of the calendar year and does not always fall on December 31.
(2) Other income/(expense), net mainly consists of interest income, interest expense and foreign currency gain (loss).
(3) Includes $0.6 million and $15.3 million for foreign currency gains in 2006 and 2005 respectively, $24.8 million and $6.7 million for foreign currency losses in 2004 and 2003 respectively, and $0.0 million of foreign currency gains in 2002.
(4) All prior period common stock and applicable share and per share amounts have been retroactively adjusted to reflect a 2-for-1 split of the Company's common stock effective August 15, 2006.
(5) Total debt consists of notes payable and long-term debt.

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

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

As previously noted, the discussion set forth below, as well as other portions of this Form 10-K, contain statements concerning potential future events. Readers can identify these forward-looking statements by their use of such verbs as "expects", "anticipates", "believes" or similar verbs or conjugations of such verbs. If any of our assumptions on which the statements are based prove incorrect or should unanticipated circumstances arise, our actual results could materially differ from those anticipated by such forward-looking statements. The differences could be caused by a number of factors or combination of factors including, but not limited to, those discussed above in Item 1A. Readers are strongly encouraged to consider those factors when evaluating any such forward-looking statement. 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 year 2005 contained 53 weeks compared to 52 weeks for fiscal years 2006, 2004, 2003, and 2002. Unless otherwise stated, all years and dates refer to the Company's fiscal year and fiscal periods. Unless the context otherwise requires, references in this document to "we," "us," "our" and similar terms refer to Garmin Ltd. and its subsidiaries.

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

Overview

We are a leading worldwide provider of navigation, communications and information devices, most of which are enabled by Global Positioning System, or GPS, technology. We operate in four business segments, which serve the marine, outdoor/fitness, automotive/mobile, and aviation markets. Our segments offer products through our network of independent dealers and distributors. However, the nature of products and types of customers for the four segments can vary significantly. As such, the segments are managed separately. Our portable GPS receivers and accessories for marine, recreation/fitness and automotive/mobile segments are sold primarily to retail outlets. Our aviation products are portable and panel-mount avionics for Visual Flight Rules and Instrument Flight Rules navigation and are sold primarily to retail outlets and certain aircraft manufacturers.

Since our first products were delivered in 1991, we have generated positive income from operations each year and have funded our growth from these profits. Our sales have increased at a compounded annual growth rate of 40% since 2002 and our net income has increased at a compounded annual growth rate of 38% since 2002. The vast majority of this growth has been organic; only a very small amount of new revenue occurred as a result of the acquisition of UPS Aviation Technologies in 2003, MotionBased Technologies in 2005, and Dynastream Innovations Inc. in 2006; these acquisitions had no significant impact on net income for those years.

Since our principal locations are in the United States, Taiwan and the U.K., we experience some foreign currency fluctuations in our operating results. The functional currency of our European operations is the U.S. dollar (effective in 2001) and the functional currency of our Asian operations is the New Taiwan Dollar. Less than 15 percent of transactions of our European operations are now denominated in British Pounds Sterling or the Euro. We experienced $0.6 million, $15.3 million, $(24.8) million, $(6.7) million, and $0.0 million in foreign currency gains (losses) during fiscal years 2006, 2005, 2004, 2003, and 2002, respectively. To date, we have not entered into hedging transactions with the Euro, the British Pound Sterling or the New Taiwan Dollar, although we may utilize hedging transactions in the future.

Critical Accounting Policies and Estimates

General

Garmin's discussion and analysis of its financial condition and results of operations are based upon Garmin's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The presentation of these financial statements requires Garmin to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, Garmin evaluates its estimates, including those related to customer sales programs and incentives, product returns, bad debts, inventories, investments, intangible assets, income taxes, warranty obligations, and contingencies and litigation. Garmin bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements 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.

Revenue Recognition

Garmin records estimated reductions to revenue for customer sales programs returns and incentive offerings including rebates, price protection, promotions and other volume-based incentives. The reductions to revenue are based on estimates and judgements using historical experience and expectation of future conditions. Changes in these estimates could negatively affect Garmin's operating results. These incentives are accrued for on a percentage of sales basis and reviewed periodically. If market conditions were to decline, Garmin may take actions to increase customer incentive offerings possibly resulting in an incremental reduction of revenue at the time the incentive is offered.

Warranties

Garmin's products sold are generally covered by a warranty for periods ranging from one to two years. Garmin accrues a warranty reserve for estimated costs to provide warranty services. Garmin's estimate of costs to service its warranty obligations is based on historical experience and expectation of future conditions. To the extent Garmin experiences increased warranty claim activity or increased costs associated with servicing those claims, its warranty accrual will increase, resulting in decreased gross profit.

Inventory

Garmin writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market 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.

Investments

Investments are classified as available for sale and recorded at fair value, and unrealized investment gains and losses are reflected in stockholders' equity. Investment income is recorded when earned, and capital gains and losses are recognized when investments are sold. Investments are reviewed periodically to determine if they have suffered an impairment of value that is considered other than temporary. If investments are determined to be impaired, a capital loss is recognized at the date of determination.

Testing for impairment of investments also requires significant management judgement. The identification of potentially impaired investments, the determination of their fair value and the assessment of whether any decline in value is other than temporary are the key judgement elements. The discovery of new information and the passage of time can significantly change these judgements. Revisions of impairment judgements 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.

Income Taxes

Garmin provides deferred tax assets and liabilities based on the difference between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes as measured by the enacted tax rates and laws that will be in effect when the differences are expected to reverse. While no valuation allowance has been recorded, it is Garmin's policy to record a valuation allowance to reduce its deferred tax assets to an amount that it believes is more likely than not to be realized. While Garmin has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event Garmin were to determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made. Likewise, should Garmin determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax assets would increase income in the period such determination was made.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes will be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when we determine the liabilities are no longer necessary. If our estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result.

Stock Based Compensation

Garmin distributes stock options or stock appreciation rights ("SARs") each year as part of Garmin's compensation package for employees. Employees with certain levels of responsibility within Garmin are eligible for stock option or SAR grants, but the granting of options or SARs is at the discretion of the Compensation Committee of the Board of Directors and is not a contractual obligation. Stock compensation plans are discussed in detail in Note 10 of the Notes to Consolidated Financial Statements.

Accounting Terms and Characteristics

Net Sales

Our net sales are primarily generated through sales to our global dealer and distributor network and to original equipment manufacturers. We recognize sales when title of the products passes to the customer, generally at the time products are shipped. Our sales are largely of a consumer nature; therefore backlog levels are not necessarily indicative of our future sales results. We aim to achieve a quick turnaround on orders we receive, and we typically ship most orders within 72 hours.

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

Gross Profit

Raw material costs are our most significant component of cost of goods sold. In the first half of 2006, we experienced meaningful price declines on flash memory and color screens, which allowed us to hold margins in our auto/mobile segment steady in the face of price declines, and allowed us to improve margins in other business segments as well. While these price declines did not continue throughout all of 2006, we did have additional component cost reductions as we neared year end. In 2005 we experienced a shift in product mix to lower-margin product groups, which continued in 2006, and price declines related to increased competition, both in relation to the rapidly growing automotive navigation product line. We experienced shortages in certain high technology components in early 2004 as well as upward pricing pressure on components in the first half of 2004, much of which was alleviated by the end of the fiscal year.

Our existing practice of performing the design and manufacture of our products in-house has enabled us to utilize alternative lower cost components from different suppliers and, where possible, to redesign our products to permit us to use these lower cost components. We believe that because of our practice of performing the design, manufacture and marketing of our products in-house, our Shijr, Taiwan, Jhongli, Taiwan, Olathe, Kansas, and Salem, Oregon manufacturing plants have experienced 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 than in Olathe and Salem.

Sales price variability has had and can be expected to have an effect on our gross profit. In the past, prices of our devices sold into the automotive/mobile market have declined due to market pressures and introduction of new products sold at lower price points. The average selling prices of our aviation products have increased due to product mix and the introduction of more advanced products sold at higher prices. The effect of the sales price variability inherent within the mix of GPS-enabled products sold could have a significant impact on our gross profit.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses consist primarily of:

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

With the expected increase of total revenues in the future, we expect selling, general and administrative expenses to continue to increase for the foreseeable future. We intend to increase advertising and marketing expenses in order to focus on individual markets and build increased brand awareness in the consumer marketplace, especially as we continue to develop new markets and expand opportunities in rapidly growing markets like portable automobile navigation, which is becoming a mass market. We also intend to increase our customer call center support as our business continues to grow. We also anticipate increased selling, general, and administrative costs associated with information technology staffing and support activities.

Research and Development

The majority of our research and development costs represent salaries for our engineers, costs for high technology components used in product and prototype development, and costs of test equipment needed during product development. Approximately 82% of the research and development of our products is performed in the United States. The remainder of our research and development activities are performed by our Taiwan engineering group, which has increased in size in recent years.

We are committed to increasing the level of innovative design and development of new products as we strive for expanded ability to serve our existing consumer and aviation markets as well as new markets for GPS-enabled devices. We continue to grow our research and development budget in absolute terms.

Customers

No customer accounted for 10% or more of our sales in the year ended December 30, 2006. Our top ten customers have contributed between 25% and 37% of net sales since 2001. We have experienced average sales days in our customer accounts receivable of between 35 and 62 days since 2001. The average sales days in our customer accounts receivable was 62 days as of December 30, 2006. We have experienced an increase in the level of customer accounts receivable days due to changes in product mix and longer payment terms, and anticipate maintaining approximately the current level of accounts receivable days going forward.

Income Taxes

We have experienced a relatively low effective corporate tax rate due to the proportion of our revenue generated by entities in tax jurisdictions with low statutory rates. In particular, lower marginal tax rates and substantial tax incentives offered by the Taiwanese government on certain high-technology capital investments, and other Taiwan tax credits due to repatriation of 2006 earnings have continued to reduce our tax rate there. Therefore, profits earned in Taiwan have been taxed at a lower rate than those in the United States and Europe. As a result, our consolidated effective tax rate was approximately 13.5 percent during 2006. We have taken advantage of the tax benefit in Taiwan since our inception and we expect to continue to benefit from lower effective tax rates at least through 2011. The current Taiwan tax incentives for which Garmin has received approval will end in 2011. We plan on applying for additional incentives for years beyond 2011 based on capital investments we expect to make in the future. However, there can be no assurance that such tax incentives will be available indefinitely or that we will receive the incentives for which we apply. Management also believes that the revenue shift to our lower-tax rate corporate entities will continue, however certain tax credits will not be available in 2007, so the effective tax rate for fiscal 2007 is expected to be slightly higher than fiscal 2006. The actual effective tax rate will be dependent upon the production volume, additional capital investments made during fiscal 2007, and the composition of our earnings.

Results of Operations

The following table sets forth our results of operations as a percentage of net sales during the periods shown:

	Fiscal Years Ended		
	Dec. 30, 2006	Dec. 31, 2005	Dec. 25, 2004
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	50.3%	47.9%	46.1%
Gross profit	49.7%	52.1%	53.9%
Operating expenses:			
Selling, general and administrative	12.1%	11.9%	10.4%
Research and development	6.4%	7.3%	8.0%
Total operating expenses	18.5%	19.2%	18.4%
Operating income	31.2%	32.9%	35.5%
Other income / (expense) , net	2.3%	3.3%	(2.0%)
Income before income taxes	33.5%	36.2%	33.5%
Provision for income taxes	4.5%	6.0%	6.5%
Net income	29.0%	30.2%	27.0%

The following table sets forth our results of operations through income before income taxes for each of our four segments during the period shown. For each line item in the table the total of the segments' amounts equals the amount in the consolidated statements of income data included in Item 6.

Fiscal year ended December 30, 2006	Outdoor/ Fitness	Marine	Automotive/ Mobile	Aviation
Net sales	$285,362	$166,639	$1,089,093	$232,906
Cost of goods sold	121,724	73,687	613,902	82,301
Gross profit	163,638	92,952	475,191	150,605
Research and development	16,697	13,121	37,125	46,371
Selling, general and administrative expenses	30,176	19,307	145,113	19,917
Total expenses	46,873	32,428	182,238	66,288
Operating income	116,765	60,524	292,953	84,317
Other income / (expense), net	4,140	4,563	29,468	1,824
Income before income taxes	$120,905	$65,087	$322,421	$86,141

Fiscal year ended December 31, 2005	Outdoor/ Fitness	Marine	Automotive/ Mobile	Aviation
Net sales	$236,936	$158,262	$403,417	$229,158
Cost of goods sold	112,145	77,311	225,779	77,468
Gross profit	124,791	80,951	177,638	151,690
Research and development	14,873	8,137	17,466	34,403
Selling, general and administrative expenses	25,675	19,382	55,125	21,839
Total expenses	40,548	27,519	72,591	56,242
Operating income	84,243	53,432	105,047	95,448
Other income / (expense), net	6,694	3,188	20,492	4,056
Income before income taxes	$90,937	$56,620	$125,539	$99,504

Fiscal year ended December 25, 2004	Outdoor/ Fitness	Marine	Automotive/ Mobile	Aviation
Net sales	$222,042	$165,510	$203,471	$171,526
Cost of goods sold	103,106	75,817	107,881	64,506
Gross profit	118,936	89,693	95,590	107,020
Research and development	12,589	8,309	10,785	29,897
Selling, general and administrative expenses	21,717	18,074	21,151	18,049
Total expenses	34,306	26,383	31,936	47,946
Operating income	84,630	63,310	63,654	59,074
Other income / (expense), net	(6,221)	(1,432)	(7,614)	(190)
Income before income taxes	$78,409	$61,878	$56,040	$58,884

Comparison of Fiscal Years Ended December 30, 2006 and December 31, 2005

Net Sales

	Fiscal year ended December 30, 2006		Fiscal year ended December 31, 2005		Year over Year	
	Net Sales	% of Revenues	Net Sales	% of Revenues	$ Change	% Change
Outdoor/Fitness	$285,362	16.1%	$236,936	23.1%	$48,426	20.4%
Marine	166,639	9.4%	158,262	15.4%	8,377	5.3%
Automotive/Mobile	1,089,093	61.4%	403,417	39.2%	685,676	170.0%
Aviation	232,906	13.1%	229,158	22.3%	3,748	1.6%
Total	$1,774,000	100.0%	$1,027,773	100.0%	$746,227	72.6%

The increase in total net sales during fiscal 2006 was primarily due to the introduction of over 70 new products and overall demand for our automotive and outdoor/fitness products. Total units sold increased 78% to 5,400,000 in 2006 from 3,028,000 in 2005. In general, management believes that continuous innovation and the introduction of new products are essential for future revenue growth.

Garmin’s revenues are normally seasonal, with the fiscal second and fourth quarter revenues being meaningfully higher than the first and third fiscal quarters. In 2006 revenues followed this typical seasonal pattern, with increases each quarter over the prior year’s quarter due to the impact of new product releases across all product lines. The revenue increase in the second quarter was primarily attributable to sell-in of popular new portable automobile navigation and outdoor/fitness products and Father’s Day/graduation purchases. The revenue increase in the fourth quarter was primarily attributable to late summer new product releases and sales associated with the traditional holiday selling season. Revenues can also be impacted in any given quarter by the timing of new product introductions.

The increase in net sales to consumers was primarily due to the introduction of many new automotive, outdoor/fitness, and marine products and overall demand for our automotive and outdoor/fitness products. It is management’s belief that the continued demand for the Company’s automotive products is due to overall increased consumer awareness of the capabilities and applications of GPS, particularly as those capabilities pertain to automobile navigation. Additionally, the expansion of the GPS market in general, as well as enhanced feature sets in our products specifically, have added to our growth. The increase in aviation sales for fiscal 2006 was primarily due to increased sales from panel mount products sold into the OEM (original equipment manufacturers) and retrofit markets. Sales of the G1000 integrated glass cockpit were the primary reason for increased OEM sales in 2006. While Temporary Flight Restrictions (TFR's) continue to impact general aviation, the flying community is adapting to these changes and returning to the skies in greater numbers. Should the Federal Aviation Administration (FAA) impose more restrictions, or elect to shutdown U.S. airspace in the future, these factors could have a material adverse effect on our business.

Gross Profit

	Fiscal year ended December 30, 2006		Fiscal year ended December 31, 2005		Year over Year	
	Gross Profit	% of Revenues	Gross Profit	% of Revenues	$ Change	% Change
Outdoor/Fitness	$163,638	57.3%	$124,791	52.7%	$38,847	31.1%
Marine	92,952	55.8%	80,951	51.2%	12,001	14.8%
Automotive/Mobile	475,191	43.6%	177,638	44.0%	297,553	167.5%
Aviation	150,605	64.7%	151,690	66.2%	(1,085)	-0.7%
Total	$882,386	49.7%	$535,070	52.1%	$347,316	64.9%

The increase in gross profit dollars was primarily attributable to the introduction of over 70 new products and strong demand for our automotive and outdoor/fitness products. The reduction in gross margin percentage was primarily due to the strong growth experienced in our lower-margin automotive/mobile product line, offset to some extent by strong gross margins in our other three segments. Notably gross margin in our automotive/mobile segment did not fall as much as anticipated due to better than anticipated raw material cost reductions, volume discounts on certain components, less price competition than anticipated, and new “premium” feature-rich products with higher selling prices and margins. Management believes that the trend to lower gross margin percentages will continue in the future as net sales of automotive products increase at a faster rate than the other business segments. The decline in aviation gross margin was primarily due to a shift in product mix within our OEM and retrofit products and the delay of some anticipated OEM and retrofit products.

Selling, General and Administrative Expenses

	Fiscal year ended December 30, 2006		Fiscal year ended December 31, 2005		Year over Year	
	Selling, General & Admin. Expenses	% of Revenues	Selling, General & Admin. Expenses	% of Revenues	$ Change	% Change
Outdoor/Fitness	$30,176	10.6%	$25,675	10.8%	$4,501	17.5%
Marine	19,307	11.6%	19,382	12.2%	(75)	-0.4%
Automotive/Mobile	145,113	13.3%	55,125	13.7%	89,988	163.2%
Aviation	19,917	8.6%	21,839	9.5%	(1,922)	-8.8%
Total	$214,513	12.1%	$122,021	11.9%	$92,492	75.8%

The increase in expense was primarily attributable to increases in employment generally across the organization, significantly increased advertising costs (up 93%) associated primarily with mass-market advertising to increase brand awareness and promote our automotive products, increased information technology staffing and support costs, increased staffing in our sales and marketing group to increase focus on specific target markets, and additional staffing in our customer call center. Management expects that because of strong demand for our products, selling, general and administrative expenses will rise in absolute dollars but decline as a percentage of sales during fiscal 2007 as increased advertising and marketing activities build awareness of the Garmin brand and demand for Garmin products worldwide.

Research and Development Expenses

	Fiscal year ended December 30, 2006		Fiscal year ended December 31, 2005		Year over Year	
	Research & Development	% of Revenues	Research & Development	% of Revenues	$ Change	% Change
Outdoor/Fitness	$16,697	5.9%	$14,873	6.3%	$1,824	12.3%
Marine	13,121	7.9%	8,137	5.1%	4,984	61.2%
Automotive/Mobile	37,125	3.4%	17,466	4.3%	19,659	112.6%
Aviation	46,371	19.9%	34,403	15.0%	11,968	34.8%
Total	$113,314	6.4%	$74,879	7.3%	$38,435	51.3%

The increase in research and development expense was primarily attributable to the addition of over 250 associates to our research and development team during fiscal 2006. Management believes that one of the key strategic initiatives for future growth and success of Garmin is continuous innovation, development, and introduction of new products. Management expects that its research and development expenses will increase approximately 25% - 30% during fiscal 2007 on an absolute dollar basis due to the anticipated introduction of a strong portfolio of new products slated for fiscal 2007. Management expects to continue to invest in the research and development of new products and technology in order to maintain Garmin's competitive advantage in the markets in which it competes.

Other Income (Expense)

	Fiscal year ended December 30, 2006	Fiscal year ended December 31, 2005
Interest income	$35,897	$19,586
Interest expense	(41)	(48)
Foreign currency gain	596	15,265
Other	3,543	(373)
Total	$39,995	$34,430

Other income (expense) principally consists of interest income, interest expense and foreign currency exchange gains and losses. Other income (expense) was higher in fiscal 2006 relative to fiscal 2005, with the majority of this difference caused by increased interest income in 2006. Interest income for fiscal 2006 increased due to higher interest rates and larger cash and marketable securities balances during the year, increasing the returns on the Company's cash and cash equivalents.

During fiscal 2006, the Company experienced foreign currency exchange gains of $0.6 million, although the U.S. Dollar weakened slightly versus the Taiwan Dollar and British Pound ($32.60 TD/USD and $0.51 GBP/USD) relative to the end of fiscal 2005 ($32.84 TD/USD and $0.58 GBP/USD). During fiscal 2005, the Company experienced foreign currency exchange gains of $15.3 million, as the U.S. Dollar strengthened versus the Taiwan Dollar and British Pound ($32.84 TD/USD and $0.58 GBP/USD) relative to the end of fiscal 2004 (32.19 TD/USD and $0.52 GBP/USD).

Income Tax Provision

Income tax expense increased by $19.0 million, to $80.4, for fiscal year 2006 from $61.4 million for fiscal year 2005, due to our higher taxable income. The effective tax rate was 13.5% for fiscal 2006 versus 16.5% for fiscal 2005. The decrease in tax rate is due to additional tax benefits received from Taiwan as a result of our continued capital investment in our manufacturing facilities in Taiwan, tax credits resulting from our decision to repatriate certain of our Taiwan earnings to our parent company, and the increased contribution to our income from lower tax jurisdictions during 2006 relative to 2005. This lower effective tax rate resulted in a decrease in the ratio of income tax as a percentage of revenue of approximately 1.4% from fiscal 2005 to fiscal 2006.

Net Income

As a result of the various factors noted above, net income increased 65% to $514.1 million for fiscal year 2006 compared to $311.2 million for fiscal year 2005.

Comparison of Fiscal Years Ended December 31, 2005 and December 25, 2004

Net Sales

	Fiscal year ended December 31, 2005		Fiscal year ended December 25, 2004		Year over Year	
	Net Sales	% of Revenues	Net Sales	% of Revenues	$ Change	% Change
Outdoor/Fitness	$236,936	23.1%	$222,042	29.1%	$14,894	6.7%
Marine	158,262	15.4%	165,510	21.7%	(7,248)	-4.4%
Automotive/Mobile	403,417	39.2%	203,471	26.7%	199,946	98.3%
Aviation	229,158	22.3%	171,526	22.5%	57,632	33.6%
Total	$1,027,773	100.0%	$762,549	100.0%	$265,224	34.8%

The increase in total net sales during fiscal 2005 was primarily due to the introduction of over 50 new products and overall demand for our automotive and aviation products. Total units sold increased 31% to 3,028,000 in 2005 from 2,306,000 in 2004. In general, management believes that continuous innovation and the introduction of new products are essential for future revenue growth.

The Company's revenues are normally seasonal, with the fiscal second and fourth quarter revenues meaningfully higher than the first and third fiscal quarters. In 2005 revenues followed this typical seasonal pattern, with increases each quarter over the prior year's quarter due to the impact of new product releases across all product lines.

The revenue increase in second quarter was primarily attributable to initial sell-in of popular new portable automobile navigation products, the onset of the marine selling season, and Father's Day purchases. The revenue increase in the fourth quarter was primarily attributable to sales momentum in our automotive products segment, new product releases, and sales associated with the traditional holiday selling season. The increase in aviation sales for fiscal 2005 was primarily due to increased sales from panel mount products sold into the OEM (original equipment manufacturers) and retrofit markets. Sales of the G1000 integrated glass cockpit was the primary reason for increased OEM sales in 2005. While Temporary Flight Restrictions (TFR's) continue to impact general aviation, the flying community is adapting to these changes and returning to the skies in greater numbers. Should the Federal Aviation Administration (FAA) impose more restrictions, or elect to shutdown U.S. airspace in the future, these factors could have a material adverse effect on our business.

Revenues can also be impacted in any given quarter by the timing of new product introductions. It is management's belief that the continued demand for Garmin's products is due to the expansion of the GPS market in general, and overall increased consumer awareness of the capabilities and applications of GPS, particularly as those capabilities pertain to automobile navigation.

Gross Profit

	Fiscal year ended December 31, 2005		Fiscal year ended December 25, 2004		Year over Year	
	Gross Profit	% of Revenues	Gross Profit	% of Revenues	$ Change	% Change
Outdoor/Fitness	$124,791	52.7%	$118,936	53.6%	$5,855	4.9%
Marine	80,951	51.2%	89,693	54.2%	(8,742)	-9.7%
Automotive/Mobile	177,638	44.0%	95,590	47.0%	82,048	85.8%
Aviation	151,690	66.2%	107,020	62.4%	44,670	41.7%
Total	$535,070	52.1%	$411,239	53.9%	$123,831	30.1%

The increase in gross profit dollars was primarily attributable to the introduction of over 50 new products and overall demand for our marine, outdoor/fitness, automotive/mobile, and aviation products. The reduction in gross margin percentage was primarily due to reduced prices on older marine and outdoor/fitness products in advance of new product releases, and a shift in product mix towards the faster-growing, lower-margin automotive/mobile product line. The increase in aviation gross margin was primarily due to a shift in product mix within our OEM and retrofit products, as the G1000 product line began a second year of selling into new aircraft and program costs were no longer a significant cost in this business segment.

Selling, General and Administrative Expenses

	Fiscal year ended December 31, 2005		Fiscal year ended December 25, 2004		Year over Year	
	Selling, General & Admin. Expenses	% of Revenues	Selling, General & Admin. Expenses	% of Revenues	$ Change	% Change
Outdoor/Fitness	$25,675	10.8%	$21,717	9.8%	$3,958	18.2%
Marine	19,382	12.2%	18,074	10.9%	1,308	7.2%
Automotive/Mobile	55,125	13.7%	21,151	10.4%	33,974	160.6%
Aviation	21,839	9.5%	18,049	10.5%	3,790	21.0%
Total	$122,021	11.9%	$78,991	10.4%	$43,030	54.5%

The increase in expense was primarily attributable to increases in employment generally across the organization (net increase of over 400 non-engineering employees), significantly increased advertising costs (up 101%) associated primarily with increasing Garmin brand awareness and promotion of automotive products, increased information technology staffing and support costs, increased staffing in our sales and marketing group to increase focus on specific target markets, and additional staffing in our customer call center.

Research and Development Expenses

	Fiscal year ended December 31, 2005		Fiscal year ended December 25, 2004		Year over Year	
	Research & Development	% of Revenues	Research & Development	% of Revenues	$ Change	% Change
Outdoor/Fitness	$14,873	6.3%	$12,589	5.7%	$2,284	18.1%
Marine	8,137	5.1%	8,309	5.0%	(172)	-2.1%
Automotive/Mobile	17,466	4.3%	10,785	5.3%	6,681	61.9%
Aviation	34,403	15.0%	29,897	17.4%	4,506	15.1%
Total	$74,879	7.3%	$61,580	8.1%	$13,299	21.6%

The increase in research and development expense was primarily attributable to the addition of 142 associates to our research and development team during fiscal 2005. Management believes that one of the key strategic initiatives for future growth and success of the Company is continuous innovation, development, and introduction of new products, and this requires strong support of our research and development activities.

Other Income (Expense)

	Fiscal year ended December 31, 2005	Fiscal year ended December 25, 2004
Interest income	$19,586	$9,419
Interest expense	(48)	(38)
Foreign currency gain / (loss)	15,265	(24,819)
Other	(373)	(19)
Total	$34,430	($15,457)

Other income (expense) principally consists of interest income, interest expense and foreign currency exchange gains and losses. Other income (expense) was significantly higher in fiscal 2005 relative to fiscal 2004, with the majority of this difference caused by increased interest income and foreign currency gains in 2005. Interest income for fiscal 2005 increased due to higher interest rates and larger cash and marketable securities balances during the year, increasing the returns on the Company's cash and cash equivalents.

During fiscal 2005, the Company experienced foreign currency exchange gains of $15.3 million, as the U.S. Dollar strengthened versus the Taiwan Dollar and British Pound and $0.52 GBP/USD ($32.84 TD/USD and $0.58 GBP/USD) relative to the end of fiscal 2004 (32.19 TD/USD and $0.52 GBP/USD). During fiscal 2004, the Company experienced foreign currency exchange losses of $24.8 million, as the U.S. Dollar weakened versus the Taiwan Dollar and British Pound (32.19 TD/USD and $0.52 GBP/USD) relative to the end of fiscal 2003 (34.05 TD/USD and $0.56 GBP/USD).

Income Tax Provision

Income tax expense increased by $11.9 million, to $61.4 million, for fiscal year 2005 from $49.5 million for fiscal year 2004 due to our higher taxable income. The effective tax rate was 16.5% for fiscal 2005 versus 19.4% for fiscal 2004. The decrease in tax rate was due to additional tax benefits received from Taiwan as a result of our continued capital investment in our manufacturing facilities in Taiwan, tax credits resulting from our decision to repatriate certain of our Taiwan earnings to our parent company, and the increased contribution to our income from lower tax jurisdictions during 2005 relative to 2004. This lower effective tax rate resulted in a decrease in the ratio of income tax as a percentage of revenue of approximately 0.5% from fiscal 2004 to fiscal 2005.

Net Income

As a result of the various factors noted above, net income increased 51% to $311.2 million for fiscal year 2005 compared to $205.7 million for fiscal year 2004

Liquidity and Capital Resources

Net cash generated by operations was $361.9 million, $247.0 million, and $208.9 million for fiscal years 2006, 2005, and 2004, respectively. We operate with a customer-oriented approach and seek to maintain sufficient inventory to meet customer demand. Because we desire to respond quickly to our customers and minimize order fulfillment time, our inventory levels are generally substantial enough to meet most demand. We also attempt to carry sufficient inventory levels of key components so that potential supplier shortages have as minimal an impact as possible on our ability to deliver our finished products. We significantly increased our raw material and finished goods inventories in the third quarter of 2006 in anticipation of a strong demand for our products during the holiday season, and returned them to more normal levels by the end of the fourth quarter. We prefer to have sufficient finished goods on hand to meet anticipated demand for our products. Raw materials and finished goods inventory levels continued to grow year over year as a function of our growing sales. We anticipate days of inventory to stabilize at current levels in 2007 although absolute dollars of inventory will continue to rise, reflecting the growth of our business.

Capital expenditures in 2006 totaled $92.9 million, an increase of $65.8 million from fiscal 2005. This amount in 2006 reflects the purchase and renovation of an additional manufacturing facility in Jhongli, Taiwan, the purchase of a new European headquarters, as well as ordinary capital expenditures for fiscal 2006. Capital expenditures in 2005 totaled $27.1 million, a decrease of $51.0 million from fiscal 2004. Capital expenditures during 2004 included the Olathe, Kansas facility expansion. The amount in 2005 reflects normal capital expenditure levels.

We have budgeted approximately $65 million of capital expenditures during fiscal 2007 to include normal ongoing capital expenditures as well as purchases of production machinery and equipment to expand capacity in the Jhongli, Taiwan facility.

In addition to capital expenditures, in 2006 cash flow used in investing related to the purchase of Dynastream Innovations, Inc. for $36.5 million, fixed income securities associated with the investment of our on-hand cash balances and approximately $3.1 million of intangible assets. Garmin's average return on its investments during fiscal 2006 was approximately 4.7%. In addition to capital expenditures, in 2005 cash flow used in investing related to the purchase of fixed income securities associated with the investment of our on-hand cash balances and approximately $3.6 million of intangible assets. Garmin's average return on its investments during fiscal 2005 was approximately 3.1%. In addition to capital expenditures, in 2004 cash flow used in investing related to the purchase of fixed income securities associated with the investment of our on-hand cash balances and approximately $1.8 million of intangible assets. Garmin's average return on its investments during fiscal year 2004 was approximately 1.7%. It is management's goal to invest the on-hand cash consistent with Garmin's investment policy, which has been approved by the 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.

Cash flow related to financing activities resulted in a net use of cash in 2006 of $132.7 million. During 2006, Garmin repurchased 1,155,300 shares of its common shares under the 3,000,000-share stock repurchase program that was approved by the Board of Directors on August 3, 2006 and expires on December 31, 2007. Sources and uses in financing activities during 2006 related primarily to uses for the payment of a dividend ($107.9 million) and stock repurchase ($50.5 million), and a source of cash from the issuance of common stock related to the exercise of employee stock options, the related tax benefit, and the employee stock purchase plan ($25.7 million). Cash flow related to financing activities resulted in a net use of cash in 2005 of $70.9 million. During 2005, Garmin repurchased 638,000 shares of its common shares under the 3,000,000-share stock repurchase program that was approved by the Board of Directors on April 21, 2004 and expired on April 30, 2006. Sources and uses in financing activities during 2005 related primarily to uses for the payment of a dividend ($54.0 million) and stock repurchase ($26.7 million), and a source of cash from the issuance of common shares related to the exercise of employee stock options, the related tax benefit, and the employee stock purchase plan ($9.7 million). Cash flow related to financing activities resulted in a net use of cash in 2004 of $51.1 million. During 2004, Garmin repurchased 100,000 shares of its common shares under the 3,000,000-share stock repurchase program. Sources and uses in financing activities during 2004 related primarily to uses for the payment of a dividend ($54.1 million) and stock repurchase ($3.1 million), and a source of cash from the issuance of common stock related to the exercise of employee stock options, the related tax benefit, and the employee stock purchase plan ($6.1 million).

Cash dividends paid to shareholders were $107.9 million, $54.0 million, and $54.1 million during fiscal years 2006, 2005, and 2004, respectively.

We believe that our existing cash balances and cash flow from operations will be sufficient to meet our projected capital expenditures, working capital and other cash requirements at least through the end of fiscal 2009.

Contractual Obligations and Commercial Commitments

Future payments due from Garmin, as of December 30, 2006, aggregated by type of contractual obligation, are:

	Payments due by period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Leases	$31,145	$3,357	$6,271	$6,040	$15,477
Purchase Obligations	$265,409	$265,409	$0	$0	$0
Total	$296,554	$268,766	$6,271	$6,040	$15,477

Operating leases describes lease obligations associated with Garmin facilities located in the U.S., Taiwan, the U.K., and Canada. Purchase obligations are the aggregate of those purchase orders that were outstanding on December 30, 2006; these obligations are created and then paid off within 3 months during the normal course of our manufacturing business.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Sensitivity

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

Inflation

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could adversely affect our business, financial condition and results of operations.

Foreign Currency Exchange Rate Risk

The operation of Garmin's subsidiaries in international markets results in exposure to movements in currency exchange rates. We generally have not been significantly affected by foreign exchange fluctuations because the Taiwan Dollar and British Pound have proven to be relatively stable. However, periodically 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 currencies that create a majority of the Company's exchange rate exposure are the Taiwan Dollar and British Pound. Garmin Corporation, located in Shijr, Taiwan, uses the local currency as the functional currency. The Company translates all assets and liabilities at year-end exchange rates and income and expense accounts at average rates during the year. In order to minimize the effect of the currency exchange fluctuations on our net assets, we have elected to retain most of our Taiwan subsidiary's cash and investments in marketable securities denominated in U.S. dollars. The TD/USD exchange rate decreased 0.7% during 2006, which resulted in a cumulative translation adjustment of negative $1.2 million at the end of fiscal 2006 and a net foreign currency loss of $3.1 million at Garmin Corporation during 2006.

Garmin Europe, located in Romsey, Great Britain, uses the U.S. Dollar as the functional currency. However, as some transactions occur in British Pounds, foreign currency gains or losses have been realized historically and have become more significant in recent years as Garmin Europe has grown. The GBP/USD exchange rate decreased 12.3% during 2006 and resulted in a net foreign currency gain of $3.7 million at Garmin Europe.

If the TD/USD exchange rate had decreased 10% and the GBP/USD exchange rate had increased 10% in 2006, the cumulative translation adjustment would have been a negative $1.4 million at the end of fiscal 2006 and the foreign currency loss would have been $44.7 million. As the majority of our worldwide sales are transacted in U.S. Dollars, the impact on sales related to foreign currency movements is minimal.

Interest Rate Risk

We have $0.2 million of outstanding long-term debt which is associated with the acquisition of Dynastream Innovations, Inc. which will be eliminated in fiscal 2007. Given this debt amount is financially immaterial to Garmin, there is 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. A hypothetical change of 10% in interest rates would not have a material effect on such unrealized gains or losses. At December 30, 2006, cumulative unrealized losses on those securities were $4.7 million.

Item 8. Financial Statements and Supplementary Data

CONSOLIDATED FINANCIAL STATEMENTS

Garmin Ltd. and Subsidiaries
Years Ended December 30, 2006, December 31, 2005, and December 25, 2004

Contents

Report of Ernst & Young LLP
Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Garmin Ltd.

We have audited the accompanying consolidated balance sheets of Garmin Ltd. and Subsidiaries (the Company) as of December 30, 2006 and December 31, 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 30, 2006. Our audits also included the financial statement schedule listed in the index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Garmin Ltd. and Subsidiaries at December 30, 2006 and December 31, 2005 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 30, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Garmin Ltd. and Subsidiaries' internal control over financial reporting as of December 30, 2006, based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Kansas City, Missouri
February 27, 2007

Garmin Ltd. And Subsidiaries

Consolidated Balance Sheets

(In thousands, except share information)

	December 30, 2006	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	$337,321	$334,352
Marketable securities *(Note 4)*	73,033	32,050
Accounts receivable, less allowance for doubtful accounts of $5,340 in 2006 and $4,226 in 2005	403,524	170,997
Inventories, net	271,008	199,841
Deferred income taxes *(Note 7)*	55,996	29,615
Prepaid expenses and other current assets	28,202	34,312
Total current assets	1,169,084	801,167
Property and equipment, net *(Notes 3 and 5)*		
Land and improvements	37,103	31,075
Building and improvements	158,873	106,470
Office furniture and equipment	45,841	33,863
Manufacturing equipment	51,772	37,747
Engineering equipment	37,519	28,859
Vehicles	8,376	8,494
	339,484	246,508
Accumulated depreciation	88,496	67,335
	250,988	179,173
Restricted cash *(Note 5)*	1,525	1,356
Marketable securities *(Note 4)*	407,843	344,673
License agreements, net	3,307	6,517
Other intangible assets	64,273	29,349
Total assets	$1,897,020	$1,362,235
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$88,375	$76,516
Salaries and benefits payable	16,268	13,005
Accrued warranty costs	37,639	18,817
Accrued sales program costs	32,560	9,038
Other accrued expenses	68,172	14,955
Income taxes payable	94,668	63,154
Total current liabilities	337,682	195,485
Long-term debt, less current portion	248	-
Deferred income taxes *(Note 7)*	1,191	9,486
Stockholders' equity:		
Common stock, $0.005 par value, 1,000,000,000 shares authorized *(Notes 10, 11 and 12)* :		
Issued and outstanding shares - 216,098,000 in 2006, and 216,134,000 in 2005	1,082	1,081
Additional paid-in capital	83,438	96,242
Retained earnings *(Note 3)*	1,478,654	1,072,454
Accumulated other comprehensive gain/(loss)	(5,275)	(12,513)
Total stockholders' equity	1,557,899	1,157,264
Total liabilities and stockholders' equity	$1,897,020	$1,362,235

See accompanying notes.

Garmin Ltd. And Subsidiaries

Consolidated Statements of Income

(In Thousands, Except Per Share Information)

	Fiscal Year Ended		
	December 30, 2006	**December 31, 2005**	**December 25, 2004**
Net sales	$1,774,000	$1,027,773	$762,549
Cost of goods sold	891,614	492,703	351,310
Gross profit	882,386	535,070	411,239
Selling, general and administrative expenses	214,513	122,021	78,991
Research and development expense	113,314	74,879	61,580
	327,827	196,900	140,571
Operating income	554,559	338,170	270,668
Other income (expense):			
Interest income	35,897	19,586	9,419
Interest expense	(41)	(48)	(38)
Foreign currency	596	15,265	(24,819)
Other	3,543	(373)	(19)
	39,995	34,430	(15,457)
Income before income taxes	594,554	372,600	255,211
Income tax provision (benefit): *(Note 7)*			
Current	113,226	52,548	57,462
Deferred	(32,795)	8,833	(7,951)
	80,431	61,381	49,511
Net income	$514,123	$311,219	$205,700
Basic net income per share *(Note 11)*	$2.38	$1.44	$0.95
Diluted net income per share *(Note 11)*	$2.35	$1.43	$0.94

See accompanying notes.

Garmin Ltd. And Subsidiaries
Consolidated Statements of Stockholders' Equity
(In Thousands, Except Share and Per Share Information)

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	
	Shares	Dollars	Capital	Earnings	Gain/(Loss)	Total
Balance at December 27, 2003	216,332	$1,082	$104,022	$663,604	($19,018)	$749,690
Net income	–	–	–	205,700		205,700
Translation adjustment	–	–	–	–	33,040	33,040
Adjustment related to unrealized gains (losses) on available-for-sale securities, net of income tax effects of $1,260	–	–	–	–	(3,407)	(3,407)
Comprehensive income						235,333
Dividends paid	–	–	–	(54,095)	–	(54,095)
Tax benefit from exercise of employee stock options	–	–	1,980	–	–	1,980
Issuance of common stock from exercise of stock options	404	2	3,438	–	–	3,440
Purchase and retirement of common stock	(200)	(1)	(3,181)	–	–	(3,182)
Issuance of common stock through stock purchase plan	118	1	2,690	–	–	2,691
Balance at December 25, 2004	216,654	$1,084	$108,949	$815,209	$10,615	$935,857
Net income	–	–	–	311,219	–	311,219
Translation adjustment	–	–	–	–	(20,768)	(20,768)
Adjustment related to unrealized gains (losses) on available-for-sale securities, net of income tax effects of $533	–	–	–	–	(2,360)	(2,360)
Comprehensive income						288,091
Dividends paid	–	–	–	(53,974)	–	(53,974)
Tax benefit from exercise of employee stock options	–	–	3,328	–	–	3,328
Issuance of common stock from exercise of stock options	644	3	6,863	–	–	6,866
Stock appreciation rights	–		925			925
Purchase and retirement of common stock	(1,276)	(7)	(26,646)	–	–	(26,653)
Issuance of common stock through stock purchase plan	112	1	2,823	–	–	2,824
Balance at December 31, 2005	**216,134**	**$1,081**	**$96,242**	**$1,072,454**	**($12,513)**	**$1,157,264**
Net income	**–**	**–**	**–**	**514,123**	**–**	**514,123**
Translation adjustment	**–**	**–**	**–**	**–**	**7,525**	**7,525**
Adjustment related to unrealized gains (losses) on available-for-sale securities, net of income tax effects of $355	**–**	**–**	**–**	**–**	**(287)**	**(287)**
Comprehensive income						**521,361**
Dividends paid	**–**	**–**	**–**	**(107,923)**	**–**	**(107,923)**
Tax benefit from exercise of employee stock options	**–**	**–**	**9,660**	**–**	**–**	**9,660**
Issuance of common stock from exercise of stock options	**994**	**6**	**12,499**	**–**	**–**	**12,505**
Stock appreciation rights	**–**	**–**	**11,913**	**–**	**–**	**11,913**
Purchase and retirement of common stock	**(1,155)**	**(6)**	**(50,444)**	**–**	**–**	**(50,450)**
Issuance of common stock through stock purchase plan	**125**	**1**	**3,568**	**–**	**–**	**3,569**
Balance at December 30, 2006	**216,098**	**$1,082**	**$83,438**	**$1,478,654**	**($5,275)**	**$1,557,899**

See accompanying notes.

Garmin Ltd. And Subsidiaries

Consolidated Statements of Cash Flows

(In Thousands)

	Fiscal Year Ended		
	December 30, 2006	**December 31, 2005**	**December 25, 2004**
Operating Activities:			
Net income	$514,123	$311,219	$205,700
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	21,535	18,693	13,069
Amortization	22,940	24,903	21,530
Gain on sale of property and equipment	67	37	191
Provision for doubtful accounts	955	445	187
Provision for obsolete and slow-moving inventories	23,245	14,755	7,158
Foreign currency transaction gains/losses	(344)	(13,957)	19,736
Deferred income taxes	(35,060)	8,833	(7,951)
Stock appreciation rights	11,913	925	-
Realized gains on marketable securities	(3,852)	-	-
Changes in operating assets and liabilities, net of acquisition:			
Accounts receivable	(230,111)	(61,607)	(27,086)
Inventories	(92,708)	(61,262)	(61,534)
Prepaid expenses and other current assets	(4,357)	(16,021)	(3,190)
Purchase of licenses	(2,950)	(4,192)	(32,796)
Accounts payable	10,187	24,127	10,638
Accrued expenses	97,167	4,283	26,424
Income taxes payable	29,105	(4,176)	36,860
Net cash provided by operating activities	361,855	247,005	208,936
Investing activities:			
Purchases of property and equipment	(92,906)	(27,130)	(78,145)
Proceeds from sale of property and equipment	76	-	25
Purchase of intangible assets	(3,115)	(3,560)	(1,791)
Purchase of marketable securities	(453,085)	(342,359)	(293,780)
Sales of marketable securities	359,313	283,253	189,221
Purchase of Dynastream Innovations, Inc.	(36,499)	-	-
Purchase of MotionBased Technologies	-	(1,483)	-
Change in restricted cash	(169)	98	153
Net cash used in investing activities	(226,385)	(91,181)	(184,317)
Financing activities:			
Dividends	(107,923)	(53,974)	(54,095)
Payment on long-term debt	(11)	-	-
Proceeds from issuance of common stock through stock purchase plan	3,569	2,824	2,691
Proceeds from issuance of common stock from exercise of stock options	12,505	6,866	3,440
Tax benefit related to stock option exercise	9,660	-	-
Purchase of common stock	(50,450)	(26,653)	(3,182)
Net cash used in financing activities	($132,650)	(70,937)	(51,146)
Effect of exchange rate changes on cash and cash equivalents	149	(444)	2,107
Net increase/(decrease) in cash and cash equivalents	2,969	84,443	(24,420)
Cash and cash equivalents at beginning of year	334,352	249,909	274,329
Cash and cash equivalents at end of year	$337,321	$334,352	$249,909

See accompanying notes.

Garmin Ltd. And Subsidiaries

Consolidated Statements of Cash Flows (continued)
(In Thousands)

	Fiscal Year Ended		
	December 30, 2006	December 31, 2005	December 25, 2004
Supplemental disclosures of cash flow information			
Cash paid during the year for income taxes	$67,044	$59,765	$27,467
Cash received during the year from income tax refunds	$537	$115	$1,015
Cash paid during the year for interest	$41	$48	$38
Supplemental disclosure of non-cash investing and financing activities			
Change in marketable securities related to unrealized appreciation (depreciation)	$68	($2,893)	($4,667)
Fair value of assets acquired	42,616	$1,490	-
Liabilities assumed	(5,997)	(4)	-
Less: cash acquired	(120)	(3)	-
Net cash paid	$36,499	$1,483	-

See accompanying notes.

1. History of the Business

Garmin Ltd. and subsidiaries (together, the "Company") manufacture, market, and distribute Global Positioning System-enabled products and other related products. Garmin Corporation (GC), wholly-owned by Garmin Ltd., is primarily responsible for the manufacturing and distribution of the Company's products to Garmin International, Inc. (GII), a wholly-owned subsidiary of GC, and Garmin (Europe) Limited (GEL), a wholly-owned subsidiary of Garmin Ltd., and, to a lesser extent, new product development and sales and marketing of the Company's products in Asia and the Far East. GII is primarily responsible for sales and marketing of the Company's products in many international markets and in the United States as well as research and new product development. GII also manufactures certain products for the Company's aviation segment. GEL is primarily responsible for sales and marketing of the Company's products, principally within the European market.

2. Stock Split

On July 21, 2006 a two-for-one stock split was approved by Garmin's shareholders and was effected at the close of the market on August 15, 2006. All prior period common stock and applicable share and per share amounts have been retroactively adjusted to reflect the 2006 stock split.

3. 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.

Fiscal Year

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

In those resulting fiscal years that have 53 weeks, the Company will record an extra week of sales, costs, and related financial activity. Therefore, the financial results of those fiscal years, and the associated 14-week fourth quarter, will not be entirely comparable to the prior and subsequent 52-week fiscal years and the associated quarters having only 13 weeks. Fiscal 2006 and 2004 included 52 weeks while fiscal 2005 included 53 weeks.

Foreign Currency Translation

GC utilizes the New Taiwan Dollar as its functional currency. In accordance with Statement of Financial Accounting Standards (SFAS) No. 52, *Foreign Currency Translation*, the financial statements of GC for all periods presented have been translated into United States dollars, the functional currency of Garmin Ltd. and GII, 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 translation adjustments of ($1,168) as of December 30, 2006 and ($8,693) as of December 31, 2005, respectively, net of related taxes, have been included in accumulated other comprehensive gain/(loss) 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. All differences are recorded in results of operations and amounted to exchange gains of $596 and $15,265, and an exchange loss of $24,819, for the years ended December 30, 2006, December 31, 2005, and December 25, 2004, respectively. The gain in fiscal 2006 was the result of nearly off-setting currency moves in the Taiwan Dollar and the Euro and British Pound Sterling. The gain in fiscal 2005 was the result of strengthening of the United States dollar throughout those years. The loss in fiscal 2004 was due to weakening of the United States dollar compared to the Taiwan Dollar throughout the year. These gains and losses are included in other income in the accompanying consolidated statements of income.

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 stock options has been reduced by the number of shares which could have been purchased from the proceeds of the exercise at the average market price of the Company's stock during the period the options were outstanding. See Note 11.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, operating accounts, money market funds, 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.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted-average method (which approximates the first-in, first-out (FIFO) method) by GC and the FIFO method by GII, GAT and GEL. Inventories consisted of the following:

	December 30, 2006	December 31, 2005	December 25, 2004
Raw materials	**$85,040**	$65,348	$69,036
Work-in-process	**42,450**	27,845	29,959
Finished goods	**160,748**	121,404	67,274
Inventory reserves	**(17,230)**	(14,756)	(11,289)
	$271,008	$199,841	$154,980

Property and Equipment

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

Buildings and improvements	39
Office furniture and equipment	5
Manufacturing and engineering equipment	5
Vehicles	5

Long-Lived Assets

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset 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.

Dividends

On April 26, 2006 the Board of Directors declared a post-split dividend of $0.50 per share to be paid on December 15, 2006 to shareholders of record on December 1, 2006. The Company paid out a dividend in the amount of $107,923. The dividend has been reported as a reduction of retained earnings.

On July 20, 2005 the Board of Directors declared a dividend of $0.25 per share (post split) to be paid on December 15, 2005 to shareholders of record on December 1, 2005. The Company paid out a dividend in the amount of $53,974. The dividend has been reported as a reduction of retained earnings.

On July 23, 2004 the Board of Directors declared a dividend of $0.25 per share (post split) to be paid on December 15, 2004 to shareholders of record on December 1, 2004. The Company paid out a dividend in the amount of $54,095. The dividend has been reported as a reduction of retained earnings.

Approximately $129,651 and $106,979 of GARMIN's retained earnings are indefinitely restricted from distribution to stockholders pursuant to the law of Taiwan at December 30, 2006, and December 31, 2005, respectively.

Intangible Assets

At December 30, 2006 and December 31, 2005, the Company had patents, license agreements, customer related intangibles and other identifiable finite-lived intangible assets recorded at a cost of $76,148 and $93,472, respectively. The Company's excess purchase cost over fair value of net assets acquired (goodwill) was $24,457 at December 30, 2006 and $13,701 at December 31, 2005.

Identifiable, finite-lived intangible assets are amortized over their estimated useful lives on a straight-line basis over three to ten years. Accumulated amortization was $33,025 and $61,290 at December 30, 2006 and December 31, 2005 respectively. Amortization expense was $21,147, $22,648, and $20,832, for the years ended December 30, 2006, December 31, 2005, and December 25, 2004, respectively. In the next five years, the amortization expense is estimated to be $5,695, $4,498, $3,967, $3,865, and $3,681, respectively.

Marketable Securities

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

All of the Company's marketable securities are considered available-for-sale at December 30, 2006. See Note 4. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive gain. At December 30, 2006 and December 31, 2005, cumulative unrealized losses of $3,968 and $3,681, respectively, were reported accumulated in other comprehensive gain/(loss), net of related taxes.

The amortized cost of debt securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage-backed securities, over the estimated life of the security. Such amortization is included in interest income from investments. Realized gains and losses, and declines in value judged to be other-than-temporary are included in net securities gains (losses). The cost of securities sold is based on the specific identification method. Realized gains and losses on available-for-sale securities have not been material in any period.

Income Taxes

The Company accounts for income taxes using the liability method in accordance with SFAS No. 109, *Accounting for 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 by the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Income taxes have not been accrued by Garmin Corporation (GC) for the unremitted earnings of GI totaling approximately $272,732 and $210,216 at December 30, 2006 and December 31, 2005, respectively, because such earnings are intended to be reinvested in this subsidiary indefinitely. Similarly, income taxes have not been accrued by Garmin B.V. for the unremitted earnings of GC totaling approximately $656,530 and $753,474 at December 30, 2006 and December 31, 2005 nor have they been accrued by Garmin Ltd for the unremitted earnings of Garmin Europe totaling approximately $50,526 and $35,987 at December 30, 2006 and December 31,2005 for the same reason.

The Company's income tax liability balance includes tax contingencies that are recorded to address potential exposures involving tax positions we have taken that could be challenged by taxing authorities. These exposures result from the varying applications of statutes, rules, regulations, and interpretations. The Company's tax contingencies are established based on judgments about potential actions by taxing jurisdictions and relate to transfer pricing positions we have taken in a variety of the countries in which we operate, certain tax credits, and various foreign and state tax matters. The ultimate resolution of these matters may be materially greater or less than the amount we have accrued and could have a material effect on our effective tax rate in the period when such matter is resolved.

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.

Concentration of Credit Risk

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

Revenue Recognition

The Company recognizes revenue from product sales when the product is shipped to the customer and title has transferred. The Company assumes no remaining significant obligations associated with the product sale other than that related to its warranty programs discussed below.

Shipping and Handling Costs

Shipping and handling costs are included in cost of goods sold in the accompanying consolidated financial statements.

Product Warranty

The Company provides for estimated warranty costs at the time of sale. The warranty period is generally for one year from date of shipment with the exception of certain aviation products and marine products for which the warranty period is two years from the date of installation.

Sales Programs

The Company provides certain monthly and quarterly incentives for its dealers based on various factors including dealer purchasing volume and growth. Additionally, from time to time, the Company provides rebates to end users on certain products. Estimated rebates and incentives payable to distributors are regularly reviewed and recorded as accrued expenses on a monthly basis. In addition, the Company provides retailers with product discounts termed "price protection" to assist these retailers in clearing older products from their inventories in advance of new product releases. These rebates, incentives, and price protections are recorded as reductions to net sales in the accompanying consolidated statements of income.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense amounted to approximately $114,749, $59,309, and $29,577 for the years ended December 30, 2006, December 31, 2005, and December 25, 2004, 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 expensed as incurred, amounted to approximately $113,314, $74,879, and $61,580 for the years ended December 30, 2006, December 31, 2005, and December 25, 2004, respectively.

Customer Service and Technical Support

Customer service and technical support costs are included on the sales and marketing expense line on our statements of operations. Customer service and technical support costs include costs associated with performing order processing, answering customer inquiries by telephone and through Web sites, e-mail and other electronic means, and providing free technical support assistance to customers. In connection with the sale of certain products, we provide a limited amount of free technical support assistance to customers. The technical support is provided within one year after the associated revenue is recognized. We accrue the estimated cost of providing this free support upon product shipment.

Software Development Costs

Statement of Financial Accounting Standards (SFAS) 86, *"Accounting for Costs of Computer Software to be Sold, Leased, or otherwise Marketed,"* 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. Our capitalized software development costs are not significant. SFAS 2, *"Accounting for Research and Development Costs,"* establishes accounting and reporting standards for research and development. In accordance with SFAS 2, costs we incur 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 on our statement of operations.

Accounting for Stock-Based Compensation

The Company currently sponsors three stock based employee compensation plans. On January 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R), *Share-Based Payment*, which is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*. SFAS No. 123(R) 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. SFAS No. 123(R) supersedes the Company's previous accounting under Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, for periods beginning in fiscal 2006.

The Company adopted SFAS No. 123(R) using the modified prospective method. Under the modified prospective method, compensation costs are recognized beginning with the effective date based on the requirements of SFAS No. 123(R) for all share-based payments granted after the effective date and based on the requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123(R) that remain unvested on the effective date. The Company's consolidated financial statements as of and for fiscal year ended December 30, 2006 reflect the impact of SFAS No. 123(R). In accordance with the modified prospective transition method, the Company's consolidated financial statements for the prior periods have not been restated to reflect, and do not include, the impact of SFAS No. 123(R).

SFAS No. 123(R) 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 expenses over the requisite service period in the Company's consolidated financial statements. Prior to the adoption of SFAS No. 123(R), the Company accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with APB Opinion No. 25 as allowed under SFAS No. 123. Under the intrinsic value method, no stock-based compensation expenses have been recognized in the Company's consolidated statements of income for stock options because the exercise price of the Company's stock options granted to employees and directors equaled the fair market value of the underlying stock at the date of grant.

As stock-based compensation expenses recognized in the accompanying consolidated statement of income for the fiscal year ended December 30, 2006 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS No. 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience and management's estimates. In the Company's pro forma information required under SFAS No. 123 for the periods prior to fiscal 2006, the Company accounted for stock option forfeitures as they occurred. The cumulative adjustment to reduce costs that were actually recognized to reflect estimated forfeitures is not material.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation.

	2005	2004
Net income as reported	$311,219	$205,700
Add: Total stock-based employee compensation expense recorded during the year	925	-
Deduct: Total stock-based employee compensation expense determined under fair-value based method for all awards, net of tax effects	(7,239)	(5,460)
Pro forma net income	$304,905	$200,240
Net income per share as reported:		
Basic	$1.44	$0.95
Diluted	$1.43	$0.94

Recently Issued Accounting Pronouncements

In June 2006, The Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48), which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 will be effective for our fiscal year beginning December 31, 2006. We are currently evaluating the impact of the adoption of FIN 48, however we do not expect the adoption to have a material impact on our financial reporting and disclosure.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 will be effective for our fiscal year beginning December 31, 2006. We do not expect the adoption of SFAS No. 158 to have a material impact on our financial reporting and disclosure.

SFAS No. 153, "*Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions*" eliminates the narrow exception for nonmonetary exchanges of similar productive assets and replaces it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. Further, the amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Previously, Opinion No. 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished. The statement is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges in fiscal periods beginning after the date of issuance. The provisions of this statement shall be applied prospectively. The adoption of SFAS No. 153 did not have a material effect on the Company's consolidated financial statements.

SFAS No. 154, "*Accounting Changes and Error Corrections*" is a replacement of APB Opinion No. 20, *Accounting Changes*, and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*. Statement 154 applies to all voluntary changes in accounting principle and changes the accounting for and a reporting of a change in accounting principle. Statement 154 requires retrospective application to the prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. Statement 154 is effective for the accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 did not have a material effect on the Company's consolidated financial statements.

4. Marketable Securities

The following is a summary of the Company's marketable securities classified as available-for-sale securities at December 30, 2006:

	Amortized Cost	Gross Unrealized Gains/Losses	Estimated Fair Value (Net Carrying Amount)
Mortgage-backed securities	**$359,809**	**($4,071)**	**$355,738**
Obligations of states and political subdivisions	**48,354**	**(193)**	**48,161**
U.S. corporate bonds	**57,926**	**(429)**	**57,497**
Other	**19,521**	**(41)**	**19,480**
Total	**$485,610**	**($4,734)**	**$480,876**

The following is a summary of the Company's marketable securities classified as available-for-sale securities at December 31, 2005:

	Amortized Cost	Gross Unrealized Gains/Losses	Estimated Fair Value (Net Carrying Amount)
Mortgage-backed securities	$278,932	($4,611)	$274,321
Obligations of states and political subdivisions	33,425	(456)	32,969
U.S. corporate bonds	45,718	(731)	44,987
Other	23,450	996	24,446
Total	$381,525	($4,802)	$376,723

The amortized cost and estimated fair value of marketable securities at December 30, 2006, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

	Cost	Estimated Fair Value
Due in one year or less (2006)	**$73,398**	**$73,033**
Due after one year through five years (2007-2011)	**277,510**	**274,143**
Due after five years through ten years (2012-2016)	**106,917**	**106,124**
Due after ten years (2017 and thereafter)	**27,785**	**27,576**
	$485,610	**$480,876**

The Company invests in auction rate securities which effectively mature every 28 days. Upon maturity, the proceeds are reinvested in the same security. The effective maturity date differs from the stated maturity dates. The securities are classified in the balance sheet at their stated maturity dates.

5. Commitments and Contingencies

Rental expense related to office, equipment, warehouse space and real estate amounted to $3,119, $690, and $608 for the years ended December 30, 2006, December 31, 2005, and December 25, 2004, respectively.

Future minimum lease payments are as follows:

Year	Amount
2007	$3,405
2008	3,233
2009	3,090
2010	3,064
2011	2,976
Thereafter	15,477

Certain cash balances of GEL are held as collateral by a bank securing payment of the United Kingdom value-added tax requirements. These amounted to $1,525 and $1,356 at December 30, 2006 and December 31, 2005, respectively, and are reported as restricted cash.

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 and other intellectual property 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.

6. Employee Benefit Plans

GII sponsors an employee retirement plan under which its employees may contribute up to 50% of their annual compensation subject to Internal Revenue Code maximum limitations and to which GII contributes a specified percentage of each participant's annual compensation up to certain limits as defined in the Plan. Additionally, GEL has a defined contribution plan under which its employees may contribute up to 7.5% of their annual compensation. Both GII and GEL contribute an amount determined annually at the discretion of the Board of Directors. During the years ended December 30, 2006, December 31, 2005, and December 25, 2004, expense related to these plans of $8,690, $6,378, and $5,183, was charged to operations.

Certain of the Company's foreign subsidiaries participate in local defined benefit pension plans. Contributions are calculated by formulas that consider final pensionable salaries. Neither obligations nor contributions for the years ended December 30, 2006, December 31, 2005, and December 25, 2004, were significant.

7. Income Taxes

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

	Fiscal Year Ended		
	December 30, 2006	December 31, 2005	December 25, 2004
Federal:			
Current	$42,850	$7,738	$10,323
Deferred	(21,153)	11,741	1,362
	21,697	19,479	11,685
State:			
Current	4,935	(656)	3,253
Deferred	(3,922)	3,219	(5,258)
	1,013	2,563	(2,005)
Foreign:			
Current	65,441	45,466	43,886
Deferred	(7,720)	(6,127)	(4,055)
	57,721	39,339	39,831
Total	$80,431	$61,381	$49,511

The income tax provision differs from the amount computed by applying the 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 30, 2006	December 31, 2005	December 25, 2004
Federal income tax expense at U.S. statutory rate	$208,094	$130,410	$89,324
State income tax expense, net of federal tax effect	658	1,666	(1,303)
Foreign tax rate differential	(112,903)	(53,712)	(32,516)
Taiwan tax holiday benefit	(50,905)	(48,175)	(27,753)
Other foreign taxes less incentives and credits	43,445	30,427	26,080
Other, net	(7,958)	765	(4,321)
Income tax expense	$80,431	$61,381	$49,511

The Company's income before income taxes attributable to non-U.S. operations was $508,367, $307,712, and $211,093, for the years ended December 30, 2006, December 31, 2005, and December 25, 2004, respectively. The Taiwan tax holiday benefits included in the table above reflect $0.24, $0.22, and $0.13 per weighted-average common share outstanding for the years ended December 30, 2006, December 31, 2005, and December 25, 2004, respectively. The Company currently expects to benefit from these Taiwan tax holidays through 2011, at which time these tax benefits expire.

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 30, 2006	December 31, 2005	December 25, 2004
Deferred tax assets:			
Product warranty accruals	$11,259	$5,017	$4,084
Allowance for doubtful accounts	1,327	1,361	1,187
Inventory carrying value	4,555	4,120	2,792
Sales program allowances	12,629	3,798	4,035
Reserve for sales returns	1,660	566	1,129
Vacation accrual	2,424	1,401	1,022
Unrealized intercompany profit in inventory	21,115	12,978	16,905
Unrealized investment loss	-	219	433
Unrealized foreign currency loss	325	550	3,579
Stock option compensation	3,720	-	-
Tax credit carryforwards, net	2,181	1,482	2,914
Other	4,225	-	447
	65,420	31,492	38,527
Deferred tax liabilities:			
Depreciation	7,883	9,019	5,267
Unrealized investment gain	278	-	-
Other	2,454	2,344	-
	10,615	11,363	5,267
Net deferred tax assets	$54,805	$20,129	$33,260

8. Fair Value of Financial Instruments

In accordance with SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, 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 30, 2006		December 31, 2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$337,321	$337,321	$334,352	$334,352
Restricted cash	1,525	1,525	1,356	1,356
Marketable securities	480,876	480,876	376,723	376,723

9. Segment Information

In the first quarter of 2006, the Company changed its internal reporting. Upon this change, it determined that it has four reportable segments. Prior periods have been restated to conform to the current period's presentation.

The Company operates within its targeted markets through four reportable segments, those being related to products sold into the marine, automotive/mobile, outdoor/fitness, and aviation markets. All of the Company's reportable segments offer products through the Company's network of independent dealers and distributors as well as through OEM's. However, the nature of products and types of customers for the four segments vary significantly. As such, the segments are managed separately. The Company's marine, automotive/mobile, and outdoor/fitness segments include portable global positioning system (GPS) receivers and accessories sold primarily to retail outlets. These products are produced primarily by the Company's subsidiary in Taiwan. The Company's aviation products are portable and panel mount avionics for Visual Flight Rules and Instrument Flight Rules navigation and are sold primarily to aviation dealers and certain aircraft manufacturers.

The Company's Chief Executive Officer has been identified as the Chief Operating Decision Maker (CODM). The CODM evaluates performance and allocates resources based on income before income taxes of each segment. Income before income taxes represents net sales less operating expenses including certain allocated general and administrative costs, interest income and expense, foreign currency adjustments, and other non-operating corporate expenses. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. There are no inter-segment sales or transfers.

The identifiable assets associated with each reportable segment reviewed by the CODM include accounts receivable and inventories. The Company does not report property and equipment, intangible assets, depreciation and amortization, or capital expenditures by segment to the CODM.

Revenues, interest income and interest expense, income before income taxes, and identifiable assets for each of the Company's reportable segments are presented below:

	Fiscal Year Ended December 30, 2006				
	Aviation	Outdoor/ Fitness	Marine	Auto/ Mobile	Total
Net sales to external customers	**$232,906**	**$285,362**	**$166,639**	**$1,089,093**	**$1,774,000**
Allocated interest income	**1,952**	**5,693**	**3,020**	**25,232**	**35,897**
Allocated interest expense	**49**	**(44)**	**17**	**(63)**	**(41)**
Income before income taxes	**86,141**	**120,905**	**65,087**	**322,421**	**594,554**
Assets:					
Accounts receivable	**52,978**	**64,910**	**37,905**	**247,731**	**403,524**
Inventories	**35,580**	**43,594**	**25,457**	**166,377**	**271,008**

	Fiscal Year Ended December 31, 2005				
	Aviation	Outdoor/ Fitness	Marine	Auto/ Mobile	Total
Net sales to external customers	$229,158	$236,936	$158,262	$403,417	$1,027,773
Allocated interest income	1,257	4,901	3,152	10,276	19,586
Allocated interest expense	(3)	(12)	(8)	(25)	(48)
Income before income taxes	99,504	90,937	56,620	125,539	372,600
Assets:					
Accounts receivable	38,127	39,421	26,331	67,118	170,997
Inventories	44,558	46,070	30,773	78,440	199,841

	Fiscal Year Ended December 25, 2004				
	Aviation	Outdoor/ Fitness	Marine	Auto/ Mobile	Total
Net sales to external customers	$171,526	$222,042	$165,510	$203,471	$762,549
Allocated interest income	1,091	3,008	2,107	3,213	9,419
Allocated interest expense	(4)	(12)	(9)	(13)	(38)
Income before income taxes	58,884	78,409	61,878	56,040	255,211
Assets:					
Accounts receivable	24,770	32,065	23,901	29,383	110,119
Inventories	34,861	45,128	33,638	41,353	154,980

Net sales, long-lived assets (property and equipment), and net assets by geographic area are as follows as of and for the years ended December 30, December 31, 2005, and December 25, 2004:

	North America	Asia	Europe	Total
December 30, 2006				
Net sales to external customers	**$1,093,581**	**$87,048**	**$593,371**	**$1,774,000**
Long-lived assets	**148,922**	**65,280**	**36,786**	**250,988**
Net assets	**431,795**	**1,074,827**	**51,277**	**1,557,899**
December 31, 2005				
Net sales to external customers	$661,085	$50,447	$316,241	$1,027,773
Long-lived assets	135,875	42,770	528	179,173
Net assets	377,684	742,843	36,737	1,157,264
December 25, 2004				
Net sales to external customers	$532,501	$34,185	$195,863	$762,549
Long-lived assets	133,832	37,341	457	171,630
Net assets	330,350	573,363	31,874	935,587

No single customer accounted for 10% or more of the Company's consolidated net sales in any period.

10. Stock Compensation Plans

Accounting for Stock-Based Compensation

Stock-based compensation expenses recognized in the accompanying consolidated statement of income for the fiscal year ended December 30, 2006, was $12 million. As a result of the adoption of SFAS No. 123(R), the Company's income before income taxes and net income for the fiscal year ended December 30, 2006 are $6,194 and $5,358 million lower, respectively, than if it had continued to account for share-based compensation under APB Opinion No. 25. The adoption of SFAS No. 123(R) decreased the Company's calculation of basic and diluted earnings per share by $0.02 during the fiscal year ended December 30, 2006.

The various Company stock compensation plans are summarized below:

2005 Equity Incentive Plan

In June, 2005, the shareholders adopted an equity incentive plan (the Plan) providing for grants of incentive and nonqualified stock options and "other" stock compensation awards to employees of the Company and its subsidiaries, pursuant to which up to 10,000,000 common shares were available for issuance. The stock options and stock appreciation rights 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. During 2006 and 2005, the Company granted 2,341,800 and 896,000 stock appreciation rights, respectively.

2000 Equity Incentive Plan

In October 2000, the shareholders adopted an equity incentive plan (the Plan) providing for grants of incentive and nonqualified stock options and "other" stock compensation awards to employees of the Company and its subsidiaries, pursuant to which up to 7,000,000 common shares of common stock were available for issuance. The stock options and stock appreciation rights 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. During 2006, 2005, and 2004, the Company granted 64,131, 755,750, and 1,394,000 nonqualified stock options, respectively. There have been no "other" stock compensation awards granted under the Plan.

2000 Non-employee Directors' Option Plan

Also in October 2000, the stockholders adopted a stock option plan for non-employee directors (the Directors Plan) providing for grants of options for up to 100,000 common shares. The term of each award is ten years. All awards vest evenly over a three-year period. During 2006, 2005, and 2004, options to purchase 7,630, 11,000, and 13,242 shares were granted under this plan.

Stock-Based Compensation Activity

A summary of the Company's stock-based compensation activity and related information under the 2005 Equity Incentive Plan, the 2000 Equity Incentive Plan and the 2000 Non-employee Directors' Option Plan for the years ended December 30, 2006, December 31, 2005, and December 25, 2004 is provided below:

	Weighted-Average Exercise Price	**Number of Shares**
		(In Thousands)
Outstanding at December 27, 2003	$14.21	4,514
Granted	19.87	1,406
Exercised	8.56	(404)
Canceled	16.08	(66)
Outstanding at December 25, 2004	16.06	5,450
Granted	26.51	1,672
Exercised	10.68	(644)
Canceled	18.51	(124)
Outstanding at December 31, 2005	19.29	6,354
Granted	**48.54**	**2,413**
Exercised	**12.59**	**(994)**
Canceled	**28.57**	**(47)**
Outstanding at December 30, 2006	**$29.24**	**7,726**
Exercisable at December 30, 2006	**$16.98**	**2,591**

Stock Options as of December 30, 2006			
Exercise Price	**Options Outstanding**	**Remaining Life (Years)**	**Options Exercisable**
	(In Thousands)		*(In Thousands)*
$7.00 -$15.00	1,566	4.98	1,390
$15.01 - $25.00	1,970	7.99	553
$25.01 - $35.00	1,803	7.97	648
$35.01 - $45.00	20	9.43	-
$45.01 - $55.00	2,366	9.69	-
$55.01 - $65.00	-	-	-
	7,726	7.90	2,591

The weighted-average remaining contract life for options outstanding and exercisable at December 30, 2006 are 7.90 and 6.14 years respectively.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123. SFAS No. 123 requires the pro forma information be determined as if the Company has accounted for its employee stock options under the fair value method of that statement. As described below, the fair value accounting provided under SFAS No. 123 requires the use of option valuation models that were not developed for use in valuing employee stock options.

The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2006, 2005 and 2004:

	2006	2005	2004
Weighted average fair value of options granted	$20.01	$9.48	$7.28
Expected volatility	0.3534	0.3224	0.3577
Distribution yield	1.00%	0.98%	1.3%
Expected life of options in years	6.3	6.3	6.3
Risk-free interest rate	5%	4%	4%

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The total fair value of shares vested during 2006, 2005, and 2004 was $9,413, $8,249, and $6,418 respectively.

The aggregate intrinsic values of options outstanding and exercisable at December 30, 2006 were $204.1 million and $100.2 million, respectively. The aggregate intrinsic value of options exercised during the year ended December 30, 2006 was $42.8 million. Aggregate intrinsic value represents the positive difference between the Company's closing stock price on the last trading day of the fiscal period, which was $55.66 on December 29, 2006, and the exercise price multiplied by the number of options outstanding.

As of December 30, 2006, there was $64.2 million of total unrecognized compensation cost related to unvested share-based compensation awards granted to employees under the option plans. That cost is expected to be recognized over a period of five years.

Employee Stock Purchase Plan

The shareholders also adopted an employee stock purchase plan (ESPP). Up to 2,000,000 shares of common stock have been reserved for the ESPP. Shares will be offered to employees at a price equal to the lesser of 85% of the fair market value of the stock on the date of purchase or 85% of the fair market value on the enrollment date. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code. During 2006, 2005, and 2004, 124,693, 112,798, and 117,900 shares were purchased under the plan for a total purchase price of $3,569, $2,824, and $2,691, respectively. At December 30, 2006, approximately 1,116,811 shares were available for future issuance.

11. Earnings Per Share

All share and per share data is presented post-split. The following table sets forth the computation of basic and diluted net income per share:

	Fiscal Year Ended		
	December 30, 2006	**December 31, 2005**	**December 25, 2004**
Numerator (in thousands):			
Numerator for basic and diluted net income per share - net income	**$514,123**	$311,219	$205,700
Denominator (in thousands):			
Denominator for basic net income per share - weighted-average common shares	**216,340**	216,294	216,322
Effect of dilutive securities - employee stock-based awards (note 9)	**2,505**	1,942	1,738
Denominator for diluted net income per share - adjusted weighted-average common shares	**218,845**	218,236	218,060
Basic net income per share	**$2.38**	$1.44	$0.95
Diluted net income per share	**$2.35**	$1.43	$0.94

Options to purchase 757,000, 1,044,000, and 1,110,000 shares of common stock were outstanding during 2006, 2005, and 2004 respectively, but were not included in the computation of diluted earnings per share because the effect was antidilutive.

12. Share Repurchase Program

The Board of Directors approved a share repurchase program on August 3, 2006, authorizing the Company to purchase up to 3,000,000 of its common shares as market and business conditions warrant. The share repurchase authorization expires on December 31, 2007. As of December 30, 2006, the Company had repurchased 1,155,300 shares using cash of $50,450. This amount was reported as a reduction in additional paid-in capital because companies incorporated in the Cayman Islands are not permitted by law to hold treasury stock.

The Board of Directors approved a share repurchase program on April 21, 2004, authorizing the Company to purchase up to 6,000,000 million of its common shares as market and business conditions warrant. The share repurchase authorization expired on April 30, 2006. From inception to expiration, 1,476,000 shares were repurchased and retired under this plan.

13. Shareholder Rights Plan

On October 24, 2001, Garmin’s Board of Directors adopted a shareholder rights plan (the “Rights Plan”). Pursuant to the Rights Plan, the Board declared a dividend of one preferred share purchase right on each outstanding common share of Garmin to shareholders of record as of November 1, 2001. The rights trade together with Garmin’s common shares. The rights generally will become exercisable if a person or group acquires or announces an intention to acquire 15% or more of Garmin’s outstanding common shares. Each right (other than those held by the new 15% shareholder) will then be exercisable to purchase preferred shares of Garmin (or in certain instances other securities of Garmin) having at that time a market value equal to two times the then current exercise price. Garmin’s Board of Directors may redeem the rights at $0.001 per right at any time before the rights become exercisable. The rights expire on October 31, 2011.

14. Selected Quarterly Information (Unaudited, split adjusted)

	Fiscal Year Ended December 30, 2006			
	Quarter Ending			
	April 1	**July 1**	**September 30**	**December 30**
Net sales	**$322,311**	**$432,468**	**$407,997**	**$611,224**
Gross profit	**162,790**	**216,284**	**198,860**	**304,452**
Net income	**87,516**	**123,286**	**122,978**	**180,343**
Basic net income per share	**$0.40**	**$0.57**	**$0.57**	**$0.84**

	Fiscal Year Ended December 31, 2005			
	Quarter Ending			
	March 26	**June 25**	**September 24**	**December 31**
Net sales	$192,651	$264,497	$251,329	$319,296
Gross profit	103,198	139,981	129,452	162,439
Net income	47,400	74,194	102,490	87,135
Basic net income per share	$0.22	$0.34	$0.48	$0.40

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

15. Dynastream Innovations Inc. Acquisition

On November 30, 2006, the Company acquired Dynastream Innovations Inc. ("Dynastream") for $36.5 million. Dynastream, headquartered in Alberta, Canada, provides personal monitoring technology (such as foot pods and heart rate monitors) for sports and fitness products, and also provides low power and low cost wireless connectivity solutions. Dynastream products are used in some of the Company's Forerunner devices. The purchase price was allocated primarily to technology/patents, customer contracts, goodwill and other assets, less liabilities assumed.

16. Warranty Reserves

The Company's products sold are generally covered by a warranty for periods ranging from one to two years. The Company's estimate of costs to service its warranty obligations are based on historical experience and expectation of future conditions and are recorded as a liability on the balance sheet. The following reconciliation provides an illustration of changes in the aggregate warranty reserve:

	Fiscal Year Ended		
	December 30, 2006	**December 31, 2005**	**December 25, 2004**
Balance - beginning of period	**$18,817**	$15,518	$8,399
Accrual for products sold during the period	**51,080**	18,037	24,622
Expenditures	**(32,258)**	(14,738)	(17,503)
Balance - end of period	**$37,639**	$18,817	$15,518

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 30, 2006. 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".

Based on such assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 30, 2006.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements, issued an attestation report on management's assessment of the Company's internal control over financial reporting. That attestation report appears below.

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

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

The Board of Directors and Shareholders
Garmin Ltd.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Garmin Ltd. and Subsidiaries maintained effective internal control over financial reporting as of December 30, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Garmin Ltd. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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.

In our opinion, management's assessment that Garmin Ltd. and Subsidiaries maintained effective internal control over financial reporting as of December 30, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Garmin Ltd. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 30, 2006, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Garmin Ltd. and Subsidiaries as of December 30, 2006 and December 31, 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 30, 2006 of Garmin Ltd. and Subsidiaries and our report dated February 27, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Kansas City, Missouri
February 27, 2007

(d) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the year ended December 30, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Garmin has incorporated by reference certain information in response or partial response to the Items under this Part III of this Annual Report on Form 10-K pursuant to General Instruction G(3) of this Form 10-K and Rule 12b-23 under the Exchange Act. Garmin's definitive proxy statement in connection with its annual meeting of shareholders scheduled for June 8, 2007 (the "Proxy Statement") will be filed with the Securities and Exchange Commission no later than 120 days after December 30, 2006.

(a) Directors of the Company

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

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

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

(d) Audit Committee and Audit Committee Financial Expert

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

Garmin's Board of Directors has determined that Gene M. Betts, Charles W. Peffer, and Thomas A. McDonnell, members of Garmin's Audit Committee, are "audit committee financial experts" as defined by the SEC regulations implementing Section 407 of the Sarbanes-Oxley Act of 2002. Mr. Betts, Mr. Peffer and Mr. McDonnell are each "independent" as defined by current listing standards of the Nasdaq Stock Market.

(e) Code of Ethics

Garmin's Board of Directors has adopted the Code of Business Conduct and Ethics for Directors, Officers and Employees of Garmin Ltd. and Subsidiaries (the "Code"). The Code is applicable to all Garmin employees including the Chief Executive Officer, the Chief Financial Officer, the Controller and other officers. A copy of the Code was filed as Exhibit 14.1 of the Annual Report on Form 10-K for the fiscal year ended December 25, 2004 and incorporated by reference herein and listed as Exhibit 14.1 to this Annual Report on Form 10-K. If any amendments to the Code are made, or any waivers with respect to the Code are granted to the Chief Executive Officer, Chief Financial Officer or Controller, such amendment or waiver will be disclosed in a Form 8-K filed with the Securities and Exchange Commission.

Item 11. Executive Compensation

The information set forth in response to Item 402 of Regulation S-K under the headings "Executive Compensation Matters" and "The Board of Directors -- Compensation of Directors" 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 “The Board of 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 30, 2006 about the Garmin common shares that may be issued under all of the Company’s existing equity compensation plans, as adjusted for stock splits.

	A	B	C
Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A)**
Equity compensation plans approved by shareholders (1)	7,725,826	$29.24	7,950,885
Equity compensation plans not approved by shareholders	--	--	--
Total	7,725,826	$29.24	7,950,885

(1) Consists of the Garmin Ltd. 2005 Equity Incentive Plan, the Garmin Ltd. 2000 Equity Incentive Plan, the Garmin Ltd. 2000 Non-Employee Directors’ Option Plan and the Garmin Ltd. Employee Stock Purchase Plan.

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

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

The information set forth in response to Item 404 of Regulation S-K under the heading “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 -- Election of Two Directors” and “The Board of Directors” in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 13.

Item 14. Principal Accounting Fees and Services

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

PART IV

Item 15. Exhibits, and Financial Statement Schedules

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

(1) Consolidated Financial Statements

The consolidated financial statements and related notes, together with the report 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	Memorandum and Articles of Association of Garmin Ltd. and Notice of Resolution (incorporated by reference to Exhibit 3.1 of the Registrant's Quarterly Report on Form 10-Q filed on August 9, 2006).
4.1	Specimen share certificate (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form S-1 filed December 6, 2000 (Commission File No. 333-45514)).
4.2	Shareholder Rights Agreement (incorporated by reference to Exhibit 4 of the Registrant's Current Report on Form 8-K filed on October 26, 2001).
4.3	Amendment to Shareholder Rights Agreement (incorporated by reference to Exhibit 1.1 of the Registrant's Amendment No.1 to Registration Statement on Form 8-A12G/A filed on November 14, 2005).
10.1	Garmin Ltd. 2000 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Registration Statement on Form S-1 filed December 6, 2000 (Commission File No. 333-45514)).
10.2	Form of Stock Option Agreement pursuant to the Garmin Ltd. 2000 Equity Incentive Plan for Employees of Garmin International, Inc. (incorporated by reference to Exhibit 10.1of the Registrant's Current Report on Form 8-K filed on September 7, 2004).
10.3	Form of Stock Option Agreement pursuant to the Garmin Ltd. 2000 Equity Incentive Plan for Employees of Garmin Corporation (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed on September 7, 2004).
10.4	Form of Stock Option Agreement pursuant to the Garmin Ltd. 2000 Equity Incentive Plan for UK-Approved Stock Options for Employees of Garmin (Europe) Ltd. (incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed on September 7, 2004).

10.5	Form of Stock Option Agreement pursuant to the Garmin Ltd. 2000 Equity Incentive Plan for Non UK-Approved Stock Options for Employees of Garmin (Europe) Ltd. (incorporated by reference to Exhibit 10.5 of the Registrant's Current Report on Form 8-K filed on September 7, 2004).
10.6	Garmin Ltd. 2000 Non-Employee Directors' Option Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Registration Statement on Form S-1 filed December 6, 2000 (Commission File No. 333-45514)).
10.7	Form of Stock Option Agreement pursuant to the Garmin Ltd. Non-Employee Directors' Option Plan for Non-Employee Directors of Garmin Ltd. (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on September 7, 2004).
10.8	Garmin Ltd. Amended and Restated Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed August 9, 2006.
10.9	First Amendment to Garmin Ltd. Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.4 of the Registrant's Annual Report on Form 10-K filed on March 27, 2002).
10.10	Second Amendment to Garmin Ltd. Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed on August 13, 2003).
10.11	Garmin Ltd. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on June 7, 2005).
10.12	Form of Stock Option Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on June 7, 2005).
10.13	Form of Stock Appreciation Rights Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed on June 7, 2005).
10.14	Form of Stock Appreciation Rights Agreement pursuant to the Garmin Ltd. 2000 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed on June 7, 2005).
14.1	Code of Business Conduct and Ethics for Directors, Officers and Employees of Garmin Ltd. and Subsidiaries (incorporated by reference to Exhibit 14.1 of the Registrant's Annual Report on Form 10-K filed on March 10, 2004).
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

(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.

GARMIN LTD. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENT SCHEDULE

Garmin Ltd. Financial Statement Schedule for the years ended December 30, 2006, December 31, 2005 and December 25, 2004

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, 2004:					
Deducted from asset accounts					
Allowance for doubtful accounts	$3,576	$187	-	($198)	$3,565
Inventory reserve	11,485	7,158	-	(7,354)	11,289
Total	$15,061	$7,345	-	($7,552)	$14,854
Year Ended December 31, 2005:					
Deducted from asset accounts					
Allowance for doubtful accounts	$3,565	$445	-	$216	$4,226
Inventory reserve	11,289	14,755	-	(11,288)	14,756
Total	$14,854	$15,200	-	($11,072)	$18,982
Year Ended December 30, 2006:					
Deducted from asset accounts					
Allowance for doubtful accounts	$4,226	$955	-	$159	$5,340
Inventory reserve	14,756	23,245	-	(18,233)	19,768
Total	$18,982	$24,200	-	($18,074)	$25,108

SIGNATURES

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

GARMIN LTD.

By /s/ Min H. Kao
Min H. Kao
Chief Executive Officer

Dated: February 28, 2007

POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Min H. Kao and Kevin Rauckman 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 Annual 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 28, 2007:

/s/ Min H. Kao
Min H. Kao
Chairman, Chief Executive Officer and Director (Principal Executive Officer)

/s/ Gene M. Betts
Gene M. Betts
Director

/s/ Kevin Rauckman
Kevin Rauckman
(Principal Financial Officer and Principal Accounting Officer) Chief Financial Officer and Treasurer

/s/Donald H. Eller
Donald H. Eller
Director

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

/s/ Thomas A. McDonnell
Thomas A. McDonnell
Director

/s/ Clifton A. Pemble .
Clifton A Pemble
Director

Garmin Ltd.
2006 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**
21.1	List of subsidiaries
23.1	Consent of Ernst & Young LLP
31.1	Chief Executive Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Chief Executive Officer's Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Chief Financial Officer's Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

EXHIBIT 21.1

GARMIN LTD.

List of Subsidiaries of Company

Name of Subsidiary	Jurisdiction of Incorporation
Garmin Corporation	Taiwan
Garmin International, Inc.	Kansas
Garmin USA, Inc.	Kansas
Garmin Realty, LLC	Kansas
Garmin AT, Inc.	Oregon
Digital Cyclone, Inc.	Minnesota
Garmin (Europe) Ltd.	England
Dynastream Innovations, Inc.	Alberta, Canada
Garmin France SAS	France
Garmin N.V.	Netherlands Antilles
Garmin B.V.	Netherlands
Garmin Singapore Pte. Ltd	Singapore
Garmin Desenvolvimento de Sistemas de Aviação (Brasil) Ltda	Brazil

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-8 No. 333-124818) pertaining to the Garmin International, Inc. 401(k) and Pension Plan,
2. Registration Statement (Form S-8 No. 333-125717) pertaining to the Garmin Ltd. 2005 Equity Incentive Plan,
3. Registration Statement (Form S-8 No. 333-51470) pertaining to the Garmin Ltd. Employee Stock Purchase Plan, Garmin Ltd. 2000 Equity Incentive Plan, Garmin Ltd. Non-Employee Director's Option Plan, and
4. Registration Statement (Form S-8 No. 333-52766) pertaining to the Garmin International, Inc. Savings and Profit Sharing Plan;

of our reports dated February 27, 2007, with respect to the consolidated financial statements and schedule of Garmin Ltd., Garmin Ltd. management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Garmin Ltd., included in this Annual Report (Form 10-K) for the year ended December 30, 2006.

/s/ Ernst & Young LLP

Kansas City, Missouri
February 27, 2007

EXHIBIT 31.1

CERTIFICATION

I, Min H. Kao, certify that:

1. I have reviewed this annual report on Form 10-K of Garmin Ltd.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities particularly during the period in which this annual report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2007 By /s/ Min H. Kao
Min H. Kao
Chairman and Chief
Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Kevin Rauckman, certify that:

1. I have reviewed this annual report on Form 10-K of Garmin Ltd.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities particularly during the period in which this annual report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2007 By /s/ Kevin Rauckman
Kevin Rauckman
Chief Financial Officer

EXHIBIT 32.1

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Min H. Kao, Chairman and Chief Executive Officer of Garmin Ltd. (the "Company") hereby certify that:

(1) The Annual Report on Form 10-K for the year ended December 30, 2006 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 28, 2007

/s/ Min H. Kao
Min H. Kao
Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

EXHIBIT 32.2

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Kevin Rauckman, Chief Financial Officer of Garmin Ltd. (the “Company”) hereby certify that:

(1) The Annual Report on Form 10-K for the year ended December 30, 2006 (the “Form 10-K”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 28, 2007 /s/ Kevin Rauckman
Kevin Rauckman
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.