

STATUTORY FINANCIAL STATEMENTS

Garmin Ltd. (Switzerland)

Years Ended December 28, 2019 and December 29, 2018

To the General Meeting of
Garmin Ltd., Schaffhausen

Zurich, February 19, 2020

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Garmin Ltd. (the Company), which comprise the balance sheet, statement of income and notes, for the period from December 30, 2018 to December 28, 2019.



Board of Directors' responsibility

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



Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements for the period from December 30, 2018 to December 28, 2019 comply with Swiss law and the Company's articles of association.



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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.



Report on other legal requirements

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

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

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

Ernst & Young Ltd

/s/ Rico Fehr
Licensed audit expert
(Auditor in charge)

/s/ Christian Schibler
Licensed audit expert

Enclosures

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

Garmin Ltd.

Statutory Financial Statements

Years Ended December 28, 2019 and December 29, 2018

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Garmin Ltd.

Balance Sheet

(CHF in thousands)

	December 28, 2019	December 29, 2018
Assets		
- Cash and cash equivalents	108,358	100,619
- Accounts receivable - affiliates	838	423
- Other receivables - third party	19	21
- Prepaid expenses	179	228
Total current assets	<u>109,394</u>	<u>101,291</u>
- Loans receivable - affiliates	180,950	277,024
- Investment in affiliated companies	6,228,741	6,567,262
Total non-current assets	<u>6,409,691</u>	<u>6,844,286</u>
Total assets	<u><u>6,519,085</u></u>	<u><u>6,945,577</u></u>
Liabilities and shareholders' equity		
- Accounts payable	886	563
- Accounts payable - affiliates	27,293	23,419
- Provision for unrealized translation gains	32,472	38,397
- Dividend payable from capital contribution reserve	212,018	197,155
Total current liabilities	<u>272,669</u>	<u>259,534</u>
- Accrued expenses	295	531
Total non-current liabilities	<u>295</u>	<u>531</u>
Total liabilities	<u>272,964</u>	<u>260,065</u>
Share capital	19,808	19,808
Legal capital reserves		
- Reserve from capital contribution	5,649,552	6,044,208
- Reserve for treasury shares from capital contribution	336,527	385,431
- Other capital reserves	68	68
Voluntary retained earnings		
- Dividend reserve from capital contribution	175,565	158,677
- Available earnings		
- Balance brought forward	77,320	95,470
- Net earnings (loss) for the year	(12,719)	(18,150)
Total shareholders' equity	<u>6,246,121</u>	<u>6,685,512</u>
Total liabilities and shareholders' equity	<u><u>6,519,085</u></u>	<u><u>6,945,577</u></u>

Garmin Ltd.

Statement of Income

(CHF in thousands)

	Fiscal Year Ended December 28, 2019	Fiscal Year Ended December 29, 2018
Dividend income - affiliates	493,333	890,167
- General and administrative expenses	(13,006)	(12,148)
- General and administrative expenses - affiliates	(7,772)	(12,064)
Operating expenses	<u>(20,778)</u>	<u>(24,212)</u>
Impairment on investment in affiliated companies	(492,744)	(889,796)
Financial result		
- Interest income - affiliates	9,323	9,590
- Interest expense - affiliates	(3,492)	(1,861)
- Foreign currency gains (losses)	1,639	(2,038)
Total financial result	<u>7,470</u>	<u>5,691</u>
Net earnings (loss)	<u>(12,719)</u>	<u>(18,150)</u>

Garmin Ltd.

Notes to Statutory Financial Statements

December 28, 2019 and December 29, 2018

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

1. Summary of significant accounting policies

General aspects

Garmin Ltd. (the “Company”) is the parent company of the Garmin Group and has its registered office at Mühlentalstrasse 2, 8200 Schaffhausen, Switzerland. The Company did not have any employees at December 28, 2019 and December 29, 2018.

Basis of presentation

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

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

The Company has adopted a 52-53 week period ending on the last Saturday of the calendar year. Due to the fact that there are not exactly 52 weeks in a calendar year and there is slightly more than one additional day per year (not including the effects of a leap year) in each calendar year as compared to a 52-week fiscal year, the Company will have a fiscal year comprising 53 weeks in certain fiscal years, as determined by when the last Saturday of the calendar year occurs. The fiscal year ended December 28, 2019 included 52 weeks and December 29, 2018 included 52 weeks. Certain comparatives were reclassified to ensure consistency in presentation.

Affiliates

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

Exchange rate differences

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

Investment in affiliated companies

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

Dividend payable from capital contribution

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

Reserve from capital contribution

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

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

Dividend reserve from capital contribution

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

Treasury shares

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of resale, the gain or loss is recognized through the statement of income as financial income or financial expense. For treasury shares held at Affiliates, the Company builds a treasury shares reserve in equity at the respective acquisition costs.

Personnel expense

Personnel expense for the years ended December 28, 2019 and December 29, 2018 amounted to CHF 4,125 and CHF 4,737, respectively, and is related to personnel expense allocated from the Company's Affiliates, related to the performance of certain general and administrative services including executive administration, procurement and payables, treasury and cash management, payroll, and accounting, as well as the Board of Directors of the Company.

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

2. Investment in directly and material indirectly held affiliated companies

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

The investment in directly and material indirectly held affiliated companies is the same for the years ended December 28, 2019 and December 29, 2018.

3. Shareholders' equity

CHF in thousands	Share capital	Legal capital reserves			Voluntary retained earnings			Total
		Reserve from capital contribution	Reserve for treasury shares from capital contribution	Other capital reserves	Dividend reserve from capital contribution	Available earnings Balance brought forward	Net earnings (loss) for the year	
Balance as of December 30, 2017	19,808	6,349,717	448,427	68	183,096	117,912	(22,442)	7,096,586
Balance brought forward						(22,442)	22,442	-
Release of amounts to dividend payable from reserve from capital contribution (2016 dividend)		1,294						1,294
Release of dividend reserve from capital contribution (2017 dividend)		183,096			(183,096)			-
Net movement in reserve for treasury shares from capital contribution		62,996	(62,996)					-
Release to dividend reserve from capital contribution (2017 dividend)		(552,895)			552,895			-
Dividend payments (2017 dividend)					(197,063)			(197,063)
Dividend payable at year-end (2017 dividend)					(197,155)			(197,155)
Net earnings (loss) for the year							(18,150)	(18,150)
Balance as of December 29, 2018	19,808	6,044,208	385,431	68	158,677	95,470	(18,150)	6,685,512
Balance brought forward						(18,150)	18,150	-
Release of amounts to dividend payable from reserve from capital contribution (2017 dividend)		(1,639)						(1,639)
Release of dividend reserve from capital contribution (2018 dividend)		158,677			(158,677)			-
Net movement in reserve for treasury shares from capital contribution		48,904	(48,904)					-
Release to dividend reserve from capital contribution (2018 dividend)		(600,598)			600,598			-
Dividend payments (2018 dividend)					(213,015)			(213,015)
Dividend payable at year-end (2018 dividend)					(212,018)			(212,018)
Net earnings (loss) for the year							(12,719)	(12,719)
Balance as of December 28, 2019	19,808	5,649,552	336,527	68	175,565	77,320	(12,719)	6,246,121

The summary of the components of authorized shares at December 28, 2019, December 29, 2018, and December 30, 2017 and changes during those years are as follows:

	Outstanding Shares	Treasury Shares Held by Affiliates	Issued Shares	Shares Authorized but not Issued ³	Conditional Capital ²
December 30, 2017	188,189,416	9,888,002	198,077,418 ¹	-	99,038,709
Treasury shares purchased	(263,997)	263,997			
Treasury shares issued for stock based compensation	1,535,936	(1,535,936)			
Additional shares authorized				39,615,483	
December 29, 2018	189,461,355	8,616,063	198,077,418 ¹	39,615,483	99,038,709
Treasury shares purchased	(288,022)	288,022			
Treasury shares issued for stock based compensation	1,513,121	(1,513,121)			
Additional shares authorized				39,615,483	
December 28, 2019	190,686,454	7,390,964	198,077,418 ¹	79,230,966	99,038,709

¹ Shares at CHF 0.10 par value

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

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

4. Treasury Shares

At December 28, 2019 and December 29, 2018, the Company's Affiliates held 7,390,964 and 8,616,063 treasury shares, respectively. The average cost of all treasury shares held by Affiliates at December 28, 2019 and December 29, 2018 amounts to CHF 46 and CHF 45, respectively.

	Carrying value (CHF in thousands)	Number of shares held by affiliates	Average cost (CHF)
Balance as of December 30, 2017	448,427	9,888,002	45
Acquired	16,224	263,997	61
Treasury stock used for stock based compensation	(79,220)	(1,535,936)	52
Balance as of December 29, 2018	385,431	8,616,063	45
Acquired	25,529	288,022	89
Treasury stock used for stock based compensation	(74,435)	(1,513,121)	49
Balance as of December 28, 2019	336,527	7,390,964	46

5. Contingent Liabilities

The Company has a tax sharing agreement with its Affiliates for certain tax reserves. In addition, the Company through certain of its Affiliates is involved in various regulatory and legal matters. The Company's Affiliates have made certain related accruals. There could be material adverse outcomes beyond the accrued liabilities. Finally, as part of regular business negotiations, the Company will also occasionally guarantee certain financial obligations of its Affiliates when doing so leads to favorable terms. The total amount of these guarantees at December 28, 2019 and December 29, 2018 were CHF 26,924 and CHF 15,440 respectively.

6. Significant Shareholders

As of December 28, 2019, and December 29, 2018, the following shareholders held 5 percent or more of Garmin Ltd.'s total issued shares and voting rights:

<u>Shareholder</u>	<u>Percentage at Dec. 28, 2019</u>	<u>Percentage at Dec. 29, 2018</u>
Jonathan Burrell	11.47% ²	11.47% ¹
Karuna Resources Ltd.	- ³	5.14%
Min H. Kao, Ph.D.	9.56% ⁵	13.71% ⁴
BlackRock, Inc.	6.69% ⁶	6.08%
The Vanguard Group	7.74% ⁶	6.44%

¹ Includes (a) 2,637,470 shares held by The Judith M. Burrell Revocable Trust, over which shares Jonathan Burrell shares voting and dispositive power with his mother, Judith M. Burrell, (b) 8,413,050 shares held in three Charitable Lead Annuity Trusts, over which shares Jonathan Burrell has the sole voting and dispositive power, and (c) 11,644,600 shares held in several Grantor Retained Annuity Trusts established by Judith M. Burrell, over which shares Jonathan Burrell has sole voting and dispositive power.

² Includes (a) 1,701,870 shares held by The Judith M. Burrell Revocable Trust, over which shares Jonathan Burrell shares voting and dispositive power with his mother, Judith M. Burrell, (b) 8,413,050 shares held in several Charitable Lead Annuity Trusts, over which shares Jonathan Burrell has the sole voting and dispositive power, and (c) 12,580,200 shares held in several Grantor Retained Annuity Trusts established by Judith M. Burrell, over which shares Jonathan Burrell has sole voting and dispositive power.

³ Shares held were less than 5% on December 28, 2019.

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

⁵ Includes (a) 6,454,753 shares held by a revocable trust established by Dr. Kao and his wife, over which Dr. Kao has shared voting and dispositive power; (b) 12,332,539 shares held by revocable trusts established by Dr. Kao's children, over which Dr. Kao has shared voting and dispositive power; and (c) 149,368 shares held by the Kao Family Foundation, a charitable foundation over which Dr. Kao and members of his family may be deemed to have voting and dispositive power.

⁶ Ownership percentage is calculated using the most current available filings on Form 13F.

To the best of the Company's knowledge, no other shareholder held 5 percent or more of Garmin Ltd.'s total issued shares and voting rights as registered in accordance with Swiss law on December 28, 2019 or December 29, 2018.

7. Shares for members of the Board of Directors

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

2019		2018	
Quantity	Value in CHF	Quantity	Value in CHF
8,016	596,356	10,376	586,820

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

As of December 28, 2019 and December 29, 2018, the members of the Board of Directors held the following numbers of shares:

<u>Name and Function</u>	<u>Total number of shares held at Dec. 28, 2019</u>	<u>Total number of shares held at Dec. 29, 2018</u>
Jonathan Burrell, Chair of Nominating and Corporate Governance Committee, Member of Compensation Committee	22,725,768 ²	22,725,120 ¹
Joseph Hartnett, Chair of Compensation Committee, Member of Audit Committee and Nominating and Corporate Governance Committee	11,378	9,266
Min H. Kao, Ph.D., Executive Chairman	18,936,660 ⁴	27,162,661 ³
Catherine A. Lewis, Member of Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee ⁵	-	-
Charles W. Pepper, Chair of Audit Committee, Member of Compensation Committee and Nominating and Corporate Governance Committee	20,978	18,868
Clifton A. Pemble, President & Chief Executive Officer	- ⁶	- ⁶
Rebecca R. Tilden, Former Member of Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee ⁷	-	2,274
Total	<u>41,694,784</u>	<u>49,918,189</u>

¹ Includes (a) 2,637,470 shares held by The Judith M. Burrell Revocable Trust, over which shares Jonathan Burrell shares voting and dispositive power with his mother, Judith M. Burrell, (b) 8,413,050 shares held in three Charitable Lead Annuity Trusts, over which shares Jonathan Burrell has the sole voting and dispositive power, and (c) 11,644,600 shares held in several Grantor Retained Annuity Trusts established by Judith M. Burrell, over which shares Jonathan Burrell has sole voting and dispositive power.

² Includes (a) 1,701,870 shares held by The Judith M. Burrell Revocable Trust, over which shares Jonathan Burrell shares voting and dispositive power with his mother, Judith M. Burrell, (b) 8,413,050 shares held in several Charitable Lead Annuity Trusts, over which shares Jonathan Burrell has the sole voting and dispositive power, and (c) 12,580,200 shares held in several Grantor Retained Annuity Trusts established by Judith M. Burrell, over which shares Jonathan Burrell has sole voting and dispositive power.

³ Includes (a) 20,332,539 shares held by revocable trusts established by Dr. Kao's children, over which Dr. Kao has shared voting and dispositive power; (b) 67,869 shares held by the Kao Family Foundation, a charitable foundation over which Dr. Kao and members of his family may be deemed to have voting and dispositive power; and (c) 4,962,824 shares held by a revocable trust established by Dr. Kao's wife, over which Dr. Kao does not have any voting or dispositive power.

⁴ Includes (a) 6,454,753 shares held by a revocable trust established by Dr. Kao and his wife, over which Dr. Kao has shared voting and dispositive power; (b) 12,332,539 shares held by revocable trusts established by Dr. Kao's children, over which Dr. Kao has shared voting and dispositive power; and (c) 149,368 shares held by the Kao Family Foundation, a charitable foundation over which Dr. Kao and members of his family may be deemed to have voting and dispositive power.

⁵ Ms. Lewis was elected as a Director at the Annual General Meeting of Garmin Ltd. shareholders on June 7, 2019.

⁶ Shares held by Mr. Pemble are shown in the Executive Management disclosure below.

⁷ Ms. Tilden ceased being a Director when her term expired on June 7, 2019.

As of December 28, 2019 and December 29, 2018, the members of Executive Management held the following numbers of shares:

<u>Name and Principal Position</u> ¹	<u>Total number of shares held at Dec. 28, 2019</u>	<u>Total number of shares held at Dec. 29, 2018</u>
Douglas G. Boessen, Chief Financial Officer & Treasurer	20,807	14,874
Clifton A. Pemble, President & Chief Executive Officer	96,797	83,837
Total	<u>117,604</u>	<u>98,711</u>

¹ On February 14, 2014, the Company's Board of Directors determined that with effective date of January 1, 2014, the Company's Executive Management consists of its President & Chief Executive Officer and its Chief Financial Officer & Treasurer.

The members of our Board of Directors and Executive Management owned 21.11 and 25.25 percent of the Company's total shares issued as of December 28, 2019 and December 29, 2018, respectively.

The following tables provide information for each non-employee member of the Board of Directors regarding outstanding equity awards held by them as of December 28, 2019 and December 29, 2018, respectively.

Outstanding Equity Awards at December 28, 2019

<u>Name and Function</u>	<u>Stock Awards</u> ¹
Jonathan Burrell Member of the Board and Compensation Committee, Chair of Nominating and Corporate Governance Committee	3,733
Joseph Hartnett Member of the Board, Audit Committee and Nominating and Corporate Governance Committee, Chair of Compensation Committee	4,602
Catherine Lewis ² Member of the Board, Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee	2,004
Charles Peffer Member of the Board, Compensation Committee and Nominating and Corporate Governance Committee, Chair of Audit Committee	4,602
Total	<u>14,941</u>

¹ Represents restricted stock units.

² Ms. Lewis was elected as a Director on June 7, 2019.

Outstanding Equity Awards at December 29, 2018

Name and Function	Stock Awards ¹
Jonathan Burrell ² Member of the Board and Compensation Committee, Chair of Nominating and Corporate Governance Committee	2,594
Joseph Hartnett Member of the Board, Audit Committee and Nominating and Corporate Governance Committee, Chair of Compensation Committee	5,414
Charles Peffer Member of the Board, Compensation Committee and Nominating and Corporate Governance Committee, Chair of Audit Committee	5,414
Rebecca Tilden Member of the Board, Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee	5,414
Total	<hr style="border: 0.5px solid black;"/> 18,836 <hr style="border: 1px solid black;"/>

¹ Represents restricted stock units.

² Mr. Burrell was elected as a Director on June 8, 2018, and became Chair of the Nominating and Corporate Governance Committee on October 26, 2018.

The following tables provide information for each member of Executive Management regarding outstanding equity awards held by them as of December 28, 2019 and December 29, 2018, respectively. Amounts in these tables are presented in CHF.

Outstanding Equity Awards at December 28, 2019

Name	Option Awards				Stock Awards	
	<i>Number of Securities Underlying Unexercised Options (#) Exercisable</i>	<i>Number of Securities Underlying Unexercised Options (#) Unexercisable</i>	<i>Option / SAR Exercise Price (CHF)</i>	<i>Option / SAR Expiration Date</i>	<i>Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)</i>	<i>Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (CHF) ⁴</i>
Clifton A. Pemble	34,415 ⁽¹⁾	-	51.20	12/15/24	5,512 ⁽²⁾	530,226
President & Chief Executive Officer	19,246 ⁽¹⁾	-	47.91	12/10/23	10,910 ⁽²⁾	1,049,487
					12,900 ⁽²⁾	1,240,915
					5,096 ⁽³⁾	490,209
					11,842 ⁽³⁾	1,139,140
					12,579 ⁽³⁾	1,210,036
	<u>53,661</u>	<u>-</u>			<u>58,839</u>	
Douglas G. Boessen	12,680 ⁽¹⁾	-	51.20	12/15/24	1,225 ⁽²⁾	117,839
Chief Financial Officer & Treasurer					2,454 ⁽²⁾	236,062
					2,955 ⁽²⁾	284,256
					1,359 ⁽³⁾	130,729
					3,552 ⁽³⁾	341,684
					4,089 ⁽³⁾	393,341
	<u>12,680</u>	<u>-</u>			<u>15,634</u>	
Total	<u>66,341</u>	<u>-</u>			<u>74,473</u>	

¹ Represents stock appreciation rights.

² Represents restricted stock units.

³ Represents time-based and performance-based vesting restricted stock units.

⁴ Determined by multiplying the number of unearned shares by CHF 96.19, which was the closing price of Garmin shares on The Nasdaq Stock Market on December 27, 2019.

Outstanding Equity Awards at December 29, 2018

Name	Option Awards				Stock Awards		
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option / SAR Exercise Price (CHF)	Option / SAR Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (CHF) ⁴	
Clifton A. Pemble	27,532 ⁽¹⁾	6,883	51.66	12/15/24	5,490 ⁽²⁾	339,743	
President & Chief Executive Officer	38,492 ⁽¹⁾	-	48.34	12/10/23	11,024 ⁽²⁾	682,209	
					16,365 ⁽²⁾	1,012,731	
					5,967 ⁽³⁾	369,262	
					10,192 ⁽³⁾	630,722	
					17,763 ⁽³⁾	1,099,245	
	<u>66,024</u>	<u>6,883</u>			<u>66,801</u>		
Douglas G. Boessen	10,144 ⁽¹⁾	2,536	51.66	12/15/24	1,464 ⁽²⁾	90,598	
Chief Financial Officer & Treasurer					2,450 ⁽²⁾	151,616	
					3,681 ⁽²⁾	227,795	
					1,927 ⁽³⁾	119,250	
					2,718 ⁽³⁾	168,201	
					5,328 ⁽³⁾	329,718	
	<u>10,144</u>	<u>2,536</u>			<u>17,568</u>		
Total	<u>76,168</u>	<u>9,419</u>			<u>84,369</u>		

¹ Represents stock appreciation rights.

² Represents restricted stock units.

³ Represents time-based and performance-based vesting restricted stock units.

⁴ Determined by multiplying the number of unearned shares by CHF 61.88, which was the closing price of Garmin shares on The Nasdaq Stock Market on December 28, 2018.

Other than as disclosed, no party related to any member of the Board of Directors or Executive Management held any shares of Garmin Ltd. or equity awards in Garmin Ltd. shares as of December 28, 2019 or December 29, 2018.

9. Dividend income and impairment loss on investment in Affiliates

During 2019, Garmin Ltd. received a dividend of CHF 492,744 from its Affiliates resulting in a reduction in the value of the investment in the Affiliates by the same amount. Consequently, the Company has recognized an impairment of CHF 492,744 in the value of its investment in the affiliated companies. During 2018, Garmin Ltd. received a dividend of CHF 889,796 from its Affiliates resulting in a reduction in the value of the investment in the Affiliates by the same amount. Consequently, the Company recognized an impairment of CHF 889,796 in the value of its investment in affiliated companies.

10. Subsequent events

No significant events occurred subsequent to the balance sheet date but prior to February 19, 2020 that would have a material impact on the financial statements.

Proposed Appropriation of Available Earnings

Balance brought forward from previous years	77,320
Net loss for the period (on a stand-alone unconsolidated basis)	(12,719)
Total available to the general meeting	64,601

Proposal of the Board of Directors for the appropriation of available earnings to the general meeting:	64,601
Balance to be carried forward	64,601

	Reserve from capital contribution	Reserve for treasury shares from capital contribution ¹	Dividend reserve from capital contribution
Balance as of December 28, 2019	5,649,552	336,527	175,565
Proposed release of reserve from capital contribution to dividend reserve from capital contribution	(637,069)		637,069
Balance to be carried forward	5,012,484	336,527	812,634

¹ The reserve for treasury shares is blocked from distribution.

The Board of Directors proposes to the Annual Meeting that Garmin Ltd. pay a cash dividend in the amount of USD 2.44¹ per outstanding share out of Garmin Ltd.’s reserve from capital contribution payable in four equal installments at the dates determined by the Board of Directors in its discretion, the record date and payment date for each such installment to be announced in a press release² at least ten calendar days prior to the record date.

The cash dividend shall be made with respect to the outstanding share capital of Garmin Ltd. on the record date for the applicable installment, which amount will exclude any shares of Garmin Ltd. held by Garmin Ltd. or any of its direct or indirect subsidiaries.

CHF 637,069³ shall be allocated to dividend reserves from capital contribution (the “Dividend Reserve”) from the reserve from capital contribution in order to pay such dividend of USD 2.44 per outstanding share with a nominal value of CHF 0.10 each (assuming a total of 198,077,418 shares⁴ eligible to receive the dividend). If the aggregate dividend payment is lower than the Dividend Reserve, the relevant difference will be allocated back to the reserve from capital contribution. To the extent that any installment payment, when converted into Swiss francs, at a USD/CHF exchange rate prevailing at the relevant payment date for the relevant installment payment, would exceed the Dividend Reserve then remaining, the USD per share amount of that installment payment shall be reduced on a pro rata basis, provided, however, that the aggregate amount of that installment payment shall in no event exceed the then remaining Dividend Reserve.

¹ In no event will the dividend payment exceed a total of USD 2.44 per share.

² The announcements will not be published in the Swiss Official Gazette of Commerce.

³ Based on the currency conversion rate as at December 28, 2019, with a total of 198,077,418 shares eligible for payout (based on the number of shares issued as at December 28, 2019),

the aggregate Dividend Reserve would be CHF 637,069. The amount of the Dividend Reserve, calculated on the basis of the Company's issued shares as at December 28, 2019, includes a 35% margin to accommodate (i) unfavorable currency fluctuation and (ii) new share issuances (see footnote 4 below) that may occur between the time that the dividend is approved by shareholders and when the last installment payment is made. Unused Dividend Reserves will be returned to the reserve from capital contribution after the last installment payment.

⁴ This number is based on the registered share capital at December 28, 2019. The number of shares eligible for dividend payments may change due to the repurchase of shares, the sale of treasury shares or the issuance of new shares, including (without limitation) from the conditional share capital reserved for the employee profit sharing program, and utilization of authorized capital.

STATUTORY CONSOLIDATED

FINANCIAL STATEMENTS

Garmin Ltd. (Switzerland)

Years Ended December 28, 2019 and December 29, 2018

To the General Meeting of
Garmin Ltd., Schaffhausen

Zurich, February 19, 2020

Report of the statutory auditor on the consolidated financial statements



Opinion

As statutory auditor, we have audited the accompanying consolidated financial statements of Garmin Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 28, 2019 and December 29, 2018, and the related consolidated statements of income, comprehensive income, stockholders' equity, cash flows, and notes to the consolidated financial statements for each of the three years in the period ended December 28, 2019. In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 28, 2019 and December 29, 2018, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 28, 2019, in accordance with U.S. generally accepted accounting principles and comply with Swiss law.



Board of Directors' responsibility

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



Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm and are required to be independent with respect to the Group. We conducted our audits in accordance with Swiss law, Swiss Auditing Standards and the standards of the Public Company Accounting Oversight Board (United States) (PCAOB). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial

statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Critical audit matters

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

Valuation of Goodwill

Description of the Matter The Company assigns goodwill acquired in business combinations to its reporting units as of each acquisition date. At December 28, 2019, the Company's goodwill balance related to the auto personal navigation device ("auto PND") reporting unit was approximately \$80 million. As discussed in Note 2 of the consolidated financial statements, goodwill is tested for impairment at least annually at the reporting unit level. The auto PND market has declined in recent years as competing technologies have emerged and market saturation has occurred. This has resulted in periods of lower revenues and profits for the Company's auto PND reporting unit. Considering these qualitative factors, management performed a step one quantitative impairment test of the auto PND reporting unit in the fourth quarter of 2019. Considering the uncertainty of future operating results and/or market conditions deteriorating faster or more drastically than the forecasts utilized in management's estimation of fair value, the Company disclosed some or all of the approximately \$80 million of goodwill associated with the auto PND reporting unit is at risk of future impairment.

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

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

To test the estimated fair value of the Company's auto PND reporting unit, we performed audit procedures that included, among others, assessing the

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

Measurement of Reserve for Unrecognized Income Tax Benefits

Description of the Matter The Company accounts for uncertainty in income taxes in accordance with the FASB ASC 740 topic, *Income Taxes*. The Company operates in a multinational tax environment and is subject to tax laws, regulations and guidelines for intercompany transactions that have transfer pricing subjectivity. For those uncertain tax positions that qualify for recognition, the Company uses significant judgment to measure the largest amount of benefit that is more likely than not to be realized upon ultimate settlement. As discussed in Note 6 to the consolidated financial statements, the Company's balance of gross unrecognized income tax benefits was \$101 million at December 28, 2019, primarily related to transfer pricing positions.

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

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

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



Report on other legal and regulatory requirements

We are a public accounting firm registered with the Swiss Federal Audit Oversight Authority (FAOA) and the PCAOB and we confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA). We are independent with respect to the Group in accordance with Swiss law (article 728 CO and article 11 AOA) and U.S. federal securities laws as well as the applicable rules and regulations of the Swiss audit profession, the U.S. Securities and Exchange Commission and the PCAOB, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We recommend that the consolidated financial statements submitted to you be approved.

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

Ernst & Young Ltd

/s/ Rico Fehr
Licensed audit expert
(Auditor in charge)

/s/ Christian Schibler
Licensed audit expert

Enclosures

- ▶ Consolidated financial statements (consolidated balance sheets as of December 28, 2019 and December 29, 2018, and the related consolidated statements of income, comprehensive income, stockholders' equity, cash flows and notes to the consolidated financial statements for each of the three years in the period ended December 28, 2019)

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

	December 28, 2019	December 29, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,027,567	\$ 1,201,732
Marketable securities (Note 3)	376,463	182,989
Accounts receivable, less allowance for doubtful accounts of \$6,754 in 2019 and \$5,487 in 2018	706,763	569,833
Inventories	752,908	561,840
Deferred costs	25,105	28,462
Prepaid expenses and other current assets	169,044	120,512
Total current assets	3,057,850	2,665,368
Property and equipment, net		
Land and improvements	132,951	131,689
Building and improvements	576,703	539,177
Office furniture and equipment	306,694	264,818
Manufacturing equipment	192,741	162,077
Engineering equipment	170,021	154,742
Vehicles	26,887	20,991
	1,405,997	1,273,494
Accumulated depreciation	(677,076)	(609,967)
	728,921	663,527
Operating lease right-of-use assets (Note 14)	63,589	—
Restricted cash (Note 4)	71	73
Marketable securities (Note 3)	1,205,475	1,330,123
Deferred income taxes (Note 6)	268,518	176,959
Noncurrent deferred costs	23,493	29,473
Intangible assets, net	659,629	417,080
Other assets	159,253	100,255
Total assets	\$ 6,166,799	\$ 5,382,858
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 240,831	\$ 204,985
Salaries and benefits payable	128,426	113,087
Accrued warranty costs	39,758	38,276
Accrued sales program costs	112,578	90,388
Deferred revenue	94,562	96,372
Accrued royalty costs	15,401	24,646
Accrued advertising expense	35,142	31,657
Other accrued expenses	95,060	69,777
Income taxes payable	56,913	51,642
Dividend payable	217,262	200,483
Total current liabilities	1,035,933	921,313
Deferred income taxes (Note 6)	114,754	92,944
Noncurrent income taxes	105,771	127,211
Noncurrent deferred revenue	67,329	76,566
Noncurrent operating lease liabilities	49,238	—
Other liabilities	278	1,850
Stockholders' equity:		
Shares, CHF 0.10 par value, 198,077 shares authorized and issued, 190,686 shares outstanding at December 28, 2019; and 189,461 shares outstanding at December 29, 2018; (Notes 9, 10, and 11):	17,979	17,979
Additional paid-in capital	1,835,622	1,823,638
Treasury stock	(345,040)	(397,692)
Retained earnings	3,229,061	2,710,619
Accumulated other comprehensive income	55,874	8,430
Total stockholders' equity	4,793,496	4,162,974
Total liabilities and stockholders' equity	\$ 6,166,799	\$ 5,382,858

See accompanying notes.

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

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Net sales	\$ 3,757,505	\$ 3,347,444	\$ 3,121,560
Cost of goods sold	1,523,529	1,367,725	1,323,619
Gross profit	2,233,976	1,979,719	1,797,941
Advertising expense	164,456	155,394	164,693
Selling, general and administrative expenses	518,568	478,177	437,977
Research and development expense	605,366	567,805	511,634
	1,288,390	1,201,376	1,114,304
Operating income	945,586	778,343	683,637
Other income (expense):			
Interest income	52,817	47,147	36,925
Foreign currency losses	(16,799)	(7,616)	(22,579)
Other income (expense)	5,618	5,373	(912)
	41,636	44,904	13,434
Income before income taxes	987,222	823,247	697,071
Income tax provision (benefit): <i>(Note 6)</i>			
Current	123,073	93,424	79,234
Deferred	(88,337)	35,743	(91,170)
	34,736	129,167	(11,936)
Net income	<u>\$ 952,486</u>	<u>\$ 694,080</u>	<u>\$ 709,007</u>
Basic net income per share <i>(Note 10)</i>	<u>\$ 5.01</u>	<u>\$ 3.68</u>	<u>\$ 3.77</u>
Diluted net income per share <i>(Note 10)</i>	<u>\$ 4.99</u>	<u>\$ 3.66</u>	<u>\$ 3.76</u>

See accompanying notes.

Garmin Ltd. And Subsidiaries
Consolidated Statements of Comprehensive Income
(USD in thousands)

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Net income	\$ 952,486	\$ 694,080	\$ 709,007
Foreign currency translation adjustment	7,962	(31,965)	88,965
Change in fair value of available-for-sale marketable securities, net of deferred taxes	39,482	(15,581)	4,486
Comprehensive income	<u>\$ 999,930</u>	<u>\$ 646,534</u>	<u>\$ 802,458</u>

See accompanying notes.

Garmin Ltd. And Subsidiaries
Consolidated Statements of Stockholders' Equity
(USD in thousands)

	Accumulated					Total
	Common	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Other	
					Comprehensive Income (Loss)	
Stock						
Balance at December 31, 2016	\$ 17,979	\$ 1,836,047	\$ (455,964)	\$ 2,092,220	\$ (37,023)	\$ 3,453,259
Net income	—	—	—	709,007	—	709,007
Translation adjustment	—	—	—	—	88,965	88,965
Adjustment related to unrealized gains (losses) on available- for-sale securities net of income tax effects of \$493	—	—	—	—	4,486	4,486
Comprehensive income						802,458
Dividends declared (\$2.04 per share)	—	—	—	(382,783)	—	(382,783)
Issuance of treasury stock related to equity awards	—	(52,581)	74,442	—	—	21,861
Stock compensation	—	44,735	—	—	—	44,735
Purchase of treasury stock related to equity awards	—	185	(12,773)	—	—	(12,588)
Purchase of treasury stock under share repurchase plan	—	—	(74,523)	—	—	(74,523)
Balance at December 30, 2017	\$ 17,979	\$ 1,828,386	\$ (468,818)	\$ 2,418,444	\$ 56,428	\$ 3,852,419
Net income	—	—	—	694,080	—	694,080
Translation adjustment	—	—	—	—	(31,965)	(31,965)
Adjustment related to unrealized gains (losses) on available- for-sale securities net of income tax effects of \$2,174	—	—	—	—	(15,581)	(15,581)
Comprehensive income						646,534
Dividends declared (\$2.12 per share)	—	—	—	(400,657)	—	(400,657)
Issuance of treasury stock related to equity awards	—	(61,139)	87,781	—	—	26,642
Stock compensation	—	56,391	—	—	—	56,391
Purchase of treasury stock related to equity awards	—	—	(16,655)	—	—	(16,655)
Reclassification under ASU 2016-16	—	—	—	(1,700)	—	(1,700)
Reclassification under ASU 2018-02	—	—	—	452	(452)	—
Balance at December 29, 2018	\$ 17,979	\$ 1,823,638	\$ (397,692)	\$ 2,710,619	\$ 8,430	\$ 4,162,974
Net income	—	—	—	952,486	—	952,486
Translation adjustment	—	—	—	—	7,962	7,962
Adjustment related to unrealized gains (losses) on available- for-sale securities net of income tax effects of \$5,982	—	—	—	—	39,482	39,482
Comprehensive income						999,930
Dividends declared (\$2.28 per share)	—	—	—	(434,044)	—	(434,044)
Issuance of treasury stock related to equity awards	—	(51,416)	78,538	—	—	27,122
Stock compensation	—	63,400	—	—	—	63,400
Purchase of treasury stock related to equity awards	—	—	(25,886)	—	—	(25,886)
Balance at December 28, 2019	\$ 17,979	\$ 1,835,622	\$ (345,040)	\$ 3,229,061	\$ 55,874	\$ 4,793,496

See accompanying notes.

Garmin Ltd. And Subsidiaries
Consolidated Statements of Cash Flows
(USD in thousands)

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Operating Activities:			
Net income	\$ 952,486	\$ 694,080	\$ 709,007
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	71,921	64,798	59,895
Amortization	34,254	31,396	26,357
Gain on sale of property and equipment	(233)	(479)	(230)
Unrealized foreign currency losses	18,663	13,790	21,681
Deferred income taxes	(88,358)	38,978	(90,000)
Stock compensation expense	63,400	56,391	44,735
Realized (gains) losses on marketable securities	(799)	827	991
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable, net of allowance for doubtful accounts	(123,401)	7,290	(39,067)
Inventories	(170,169)	(57,737)	(7,504)
Other current and non-current assets	(86,073)	7,358	(21,608)
Accounts payable	26,192	40,628	(17,240)
Other current and non-current liabilities	36,660	(1,323)	5,627
Deferred revenue	(11,032)	(17,208)	(20,754)
Deferred costs	9,335	5,611	2,395
Income taxes payable	(34,297)	35,120	(13,443)
Net cash provided by operating activities	698,549	919,520	660,842
Investing activities:			
Purchases of property and equipment	(118,031)	(155,755)	(139,696)
Proceeds from sale of property and equipment	529	1,600	361
Purchase of intangible assets	(2,377)	(4,600)	(12,232)
Purchase of marketable securities	(789,352)	(403,181)	(587,656)
Redemption of marketable securities	758,774	283,603	635,311
Acquisitions, net of cash acquired	(300,289)	(29,170)	(90,471)
Net cash used in investing activities	(450,746)	(307,503)	(194,383)
Financing activities:			
Dividends	(417,264)	(296,148)	(382,976)
Proceeds from issuance of treasury stock related to equity awards	27,122	26,642	21,860
Purchase of treasury stock related to equity awards	(25,886)	(16,655)	(12,773)
Purchase of treasury stock under share repurchase plan	—	—	(74,523)
Net cash used in financing activities	(416,028)	(286,161)	(448,412)
Effect of exchange rate changes on cash and cash equivalents	(5,942)	(15,810)	26,716
Net (decrease) increase in cash, cash equivalents, and restricted cash	(174,167)	310,046	44,763
Cash, cash equivalents, and restricted cash at beginning of year	1,201,805	891,759	846,996
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 1,027,638</u>	<u>\$ 1,201,805</u>	<u>\$ 891,759</u>

See accompanying notes.

Garmin Ltd. And Subsidiaries
Consolidated Statements of Cash Flows (continued)
(USD in thousands)

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Supplemental disclosures of cash flow information			
Cash paid during the year for income taxes	\$ 160,286	\$ 67,592	\$ 106,146
Cash received during the year from income tax refunds	\$ 6,063	\$ 6,122	\$ 3,806
Supplemental disclosure of non-cash investing and financing activities			
Increase (decrease) in accrued capital expenditures related to purchases of property and equipment	\$ 2,821	\$ (14,647)	\$ 13,864
Change in marketable securities related to unrealized appreciation (depreciation)	\$ 45,464	\$ (17,755)	\$ 4,979
Fair value of assets acquired	\$ 354,631	\$ 31,920	\$ 128,190
Liabilities assumed	(25,507)	(2,273)	(29,587)
Less: cash acquired	(28,835)	(477)	(8,132)
Cash paid for acquisitions, net of cash acquired	\$ 300,289	\$ 29,170	\$ 90,471

See accompanying notes.

GARMIN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(USD in thousands, except share and per share information)
December 28, 2019 and December 29, 2018

1. Description of the Business

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

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

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

Fiscal Year

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

In those resulting fiscal years that have 53 weeks, the Company will record an extra week of sales, costs, and related financial activity. Therefore, the financial results of those 53-week fiscal years, and the associated 14-week fourth quarters, will not be entirely comparable to the prior and subsequent 52-week fiscal years and the associated 13-week quarters. Fiscal years 2019, 2018, and 2017 each included 52 weeks.

Use of Estimates

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

Foreign Currency

Many Garmin Ltd. subsidiaries utilize currencies other than the United States Dollar (USD) as their functional currency. As required by the Foreign Currency Matters topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the financial statements of these subsidiaries for all periods presented have been translated into USD, the functional currency of Garmin Ltd., and the reporting currency herein, for purposes of consolidation at rates prevailing during the year for sales, costs, and expenses and at end-of-year rates for all assets and liabilities. The effect of this translation is recorded in a separate component of stockholders' equity. Cumulative currency translation adjustments of \$55,289 and \$47,327 as of December 28, 2019 and December 29, 2018, respectively, have been included in accumulated other comprehensive income in the accompanying consolidated balance sheets.

Transactions in foreign currencies are recorded at the approximate rate of exchange at the transaction date. Assets and liabilities resulting from these transactions are translated at the rate of exchange in effect at the balance sheet date. The majority of the Company's consolidated foreign currency gain or loss is typically driven by the significant cash and marketable securities, receivables, and payables held in a currency other than the functional currency at a given legal entity. Net foreign currency losses recorded in results of operations were \$16,799, \$7,616, and \$22,579, for the years ended December 28, 2019, December 29, 2018, and December 30, 2017, respectively. The loss in fiscal 2019 was primarily due to the USD strengthening against the Euro and weakening against the Taiwan Dollar, which was partially offset by the USD weakening against the British Pound Sterling. The loss in fiscal 2018 was due primarily to the USD strengthening against the Euro and British Pound Sterling, offset by the USD strengthening against the Taiwan Dollar. The loss in fiscal 2017 was due primarily to the USD weakening against the Taiwan Dollar, which was partially offset by the USD weakening against the Euro and British Pound Sterling.

Earnings Per Share

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

Cash, Cash Equivalents, and Restricted Cash

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

The total of cash and cash equivalents and restricted cash balances presented on the Consolidated Balance Sheet reconciles to the total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows.

Trade Accounts Receivable

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

Concentration of Credit Risk

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

The Company's top ten customers have contributed between 21% and 24% of net sales annually since 2017. None of the Company's customers accounted for more than or equal to 10% of consolidated net sales in the years ended December 28, 2019, December 29, 2018, and December 30, 2017, respectively.

Inventories

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

	December 28, 2019	December 29, 2018
Raw materials	\$ 260,070	\$ 205,696
Work-in-process	133,157	96,564
Finished goods	359,681	259,580
Inventories	<u>\$ 752,908</u>	<u>\$ 561,840</u>

Property and Equipment

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

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

As required by the *Property, Plant and Equipment* topic of the FASB ASC (ASC Topic 360), the Company reviews property and equipment assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be fully recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. That assessment is based on the carrying amount of the asset at the date it is tested for recoverability. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. The Company did not recognize any material long-lived asset impairment charges in the fiscal years of 2019, 2018, or 2017.

Intangible Assets

At December 28, 2019, and December 29, 2018, the Company had patents, customer related intangibles and other identifiable finite-lived intangible assets recorded at a cost of \$432,296 and \$330,532, respectively. Identifiable, finite-lived intangible assets are amortized over their estimated useful lives on a straight-line basis typically over three to ten years. Accumulated amortization was \$239,776 and \$214,469 at December 28, 2019 and December 29, 2018, respectively. Amortization expense on these intangible assets was \$26,225, \$21,796, and \$20,863 for the years ended December 28, 2019, December 29, 2018, and December 30, 2017, respectively. In the next five years, the amortization expense is estimated to be \$25,654, \$22,000, \$19,290, \$18,127, and \$16,880, respectively. The Company also reviews finite-lived intangible assets for impairment in accordance with ASC Topic 360, as described above, whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be fully recoverable.

The Company's excess purchase cost over fair value of net assets acquired (goodwill) was \$467,108 at December 28, 2019, and \$301,017 at December 29, 2018.

	December 28, 2019	December 29, 2018
Goodwill balance at beginning of year	\$ 301,017	\$ 286,982
Acquisitions	171,773	16,768
Finalization of purchase price allocations, impairment charges, and effect of foreign currency translation	(5,682)	(2,733)
Goodwill balance at end of year	<u>\$ 467,108</u>	<u>\$ 301,017</u>

The *Intangibles – Goodwill and Other* topic of the FASB ASC (ASC Topic 350) requires that goodwill and intangible assets with indefinite useful lives should not be amortized but rather be assessed for impairment at least annually or sooner whenever events or changes in circumstances indicate that they may be impaired. The Company performs its annual impairment assessments of goodwill and indefinite-lived intangible assets, if any, in the fourth quarter of each year, as of the Company's fiscal year end date. ASC Topic 350 allows management to first perform a qualitative assessment by assessing the qualitative factors of relevant events and circumstances at the reporting unit level to determine if it is necessary to perform the quantitative goodwill impairment test. If factors indicate that it is more likely than not that the fair value of the reporting unit is less than the carrying amount, then the quantitative test will be performed. If the fair value of the reporting unit is less than the carrying amount, then a goodwill impairment charge will be recognized in the amount by which carrying amount exceeds fair value, limited to the total amount of goodwill allocated to that reporting unit. See the Recently Adopted Accounting Standards section below regarding the Company's early adoption of ASU 2017-04.

Each of the Company's operating segments (auto PND, auto OEM, aviation, fitness, marine, and outdoor) represents a distinct reporting unit. The auto PND market has declined in recent years as competing technologies have emerged and market saturation has occurred. This has resulted in periods of lower revenues and profits for the Company's auto PND reporting unit. Considering these qualitative factors, management performed a quantitative impairment test of the auto PND reporting unit in the fourth quarter of 2019 and determined that the fair value of the reporting unit was substantially in excess of its carrying amount. However, considering the uncertainty of future operating results and/or market conditions deteriorating faster or more drastically than the forecasts utilized in management's estimation of fair value, management believes some or all of the approximately \$80 million of goodwill associated with the Company's auto PND reporting unit is at risk of future impairment.

Management also performed a quantitative impairment test of the Auto OEM reporting unit in the fourth quarter of 2019 and concluded that the fair value of the reporting unit was less than its carrying amount. As a result, the Company recorded an impairment charge of approximately \$3 million, which was the total goodwill balance associated with the auto OEM reporting unit. The impairment charge was not material to the Company's Consolidated Financial Statements.

Management concluded that no other reporting units are currently at risk of impairment, and the Company did not recognize any material goodwill or intangible asset impairment charges in fiscal years 2019, 2018, or 2017.

Leases

The Company leases certain real estate properties, vehicles, and equipment in various countries around the world. Leased properties are typically used for office space, distribution, and retail. The Company's leases are classified as operating leases with remaining terms of 1 to 34 years, some of which include an option to extend or renew. If the exercise of an option to extend or renew is determined to be reasonably certain, the associated right-of-use asset and lease liability reflects the extended period and payments. For newly signed leases, the right-of-use asset and lease liability is recognized on lease commencement date. Variable lease costs, such as adjustments to payments based on consumer price indices, are excluded in the recognition of right-of-use assets and lease liabilities. For all real estate leases, any non-lease components, including common area maintenance, have been separated from lease components and excluded from the associated right-of-use asset and lease liability calculations. For all equipment and vehicle leases, an accounting policy election has been made to not separate lease and non-lease components.

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

Dividends

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

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

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

The Company paid dividends in 2019 in the amount of \$417,264, which included four dividend distributions in the fiscal year. Both the dividends paid and the remaining dividend payable were reported as a reduction of retained earnings.

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

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

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

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

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

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

Approximately \$61,129 of retained earnings was indefinitely restricted from distribution to stockholders pursuant to the laws of Taiwan as of December 28, 2019 and December 29, 2018.

Marketable Securities

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

All of the Company's marketable securities were considered available-for-sale at December 28, 2019. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of tax, reported in Accumulated other comprehensive income on the Company's Consolidated Balance Sheets. At December 28, 2019, cumulative unrealized gains of \$585 were reported in accumulated other comprehensive income, net of related taxes. At December 29, 2018, cumulative unrealized net losses of \$38,897 were reported in accumulated other comprehensive income, net of related taxes.

Investments are reviewed periodically to determine if they have suffered an impairment of value that is considered other-than-temporary. The Company recognizes the credit component of other-than-temporary impairments of debt securities within Other income (expense) on the Company's Consolidated Statements of Income and the noncredit component within Accumulated other comprehensive income on the Company's Consolidated Balance Sheets.

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

The amortized cost of debt securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage-backed securities, over the estimated life of the security. Such amortization and realized gains/losses are recorded within Interest income and Other income (expense), respectively, on the Company's Consolidated Statements of Income. The cost of securities sold is based on the specific identification method.

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

Income Taxes

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

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

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

Revenue Recognition

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

The Company allocates revenue to all performance obligations associated with tangible products containing separately identifiable ongoing services based on the respective performance obligations' relative standalone selling prices ("SSP"), with the amounts allocated to ongoing services deferred and recognized over a period of time. These ongoing services primarily consist of the Company's contractual promises to provide

personal navigation device (PND) users with map updates and server-based traffic services. In addition, we provide map update services (map care) over a contractual period in certain hardware and software contracts with original equipment manufacturers (OEMs). The Company has determined that directly observable prices do not exist for map updates, map care, or server-based traffic, as stand-alone and unbundled unit sales do not occur on more than a limited basis. Therefore, the Company uses the expected cost plus a margin as the primary indicator to calculate relative SSP of map updates, map care, and traffic performance obligations. The revenue and associated costs allocated to map updates, map care, and/or the server-based traffic service are deferred and recognized ratably over the estimated life of the products of approximately 3 years for PNDs, or the estimated map care period in OEM contracts of 3-10 years as we believe our efforts related to providing these services are spread evenly throughout the performance period. In addition to the products listed above, the Company has offered certain other products with ongoing performance obligations including mobile applications, incremental navigation and communication service subscriptions, aviation database subscriptions, and extended warranties that are recognized over the contractual service period (typically 1-3 years).

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

Deferred Revenues and Costs

At December 28, 2019 and December 29, 2018, the Company had deferred revenues totaling \$161,891 and \$172,938, respectively, and related deferred costs totaling \$48,598 and \$57,935, respectively.

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

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

Shipping and Handling Costs

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

Product Warranty

The Company accrues for estimated future warranty costs at the time products are sold. The Company's standard warranty obligation to retail partners generally provides for a right of return of any product for a full refund in the event that such product is not merchantable, is damaged, or is defective. The Company's historical experience is that these types of warranty obligations are generally fulfilled within 5 months from time of sale. The Company's standard warranty obligation to its end-users provides for a period of one to two years from date of shipment while certain aviation, marine, and auto OEM products have a warranty period of two years or more from the date of installation. The Company's estimates of costs to service its warranty obligations are based on historical experience and management's expectations and judgments of future conditions. To the extent the Company experiences increased warranty claim activity or increased costs associated with servicing those claims, its warranty accrual will increase, which may result in decreased gross profit. The following reconciliation provides an illustration of changes in the aggregate warranty accrual:

Fiscal Year Ended

	December 28, 2019	December 29, 2018	December 30, 2017
Balance - beginning of period	\$ 38,276	\$ 36,827	\$ 37,233
Accrual for products sold ⁽¹⁾	58,092	59,374	56,360
Expenditures	(56,610)	(57,925)	(56,766)
Balance - end of period	<u>\$ 39,758</u>	<u>\$ 38,276</u>	<u>\$ 36,827</u>

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

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense amounted to approximately \$164,456, \$155,394, and \$164,693 for the years ended December 28, 2019, December 29, 2018, and December 30, 2017, respectively.

Research and Development

A majority of the Company's research and development is performed in the United States. Research and development costs, which are typically expensed as incurred, amounted to approximately \$605,366, \$567,805, and \$511,634 for the years ended December 28, 2019, December 29, 2018, and December 30, 2017, respectively.

Preproduction Costs Related to Long-Term Supply Arrangements

Preproduction design and development costs related to long-term supply arrangements are expensed as incurred, and classified as Research and development, unless the customer has provided a contractual guarantee for reimbursement of such costs. Contractually reimbursable costs are capitalized as incurred in the Consolidated Balance Sheets within Prepaid expenses and other current assets if reimbursement is expected to be received within one year, or within Other assets if expected to be received beyond one year. Such capitalized costs were approximately \$24,267 as of December 28, 2019, and there were no such capitalized costs as of December 29, 2018.

Customer Service and Technical Support

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

Software Development Costs

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

Accounting for Stock-Based Compensation

The Company currently sponsors four stock-based employee compensation plans. The FASB ASC topic entitled Compensation – Stock Compensation requires the measurement and recognition of compensation

expenses for all share-based payment awards made to employees and directors, including employee stock options and restricted stock, based on estimated fair values.

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

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

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

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

Recently Adopted Accounting Standards

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The FASB subsequently issued Accounting Standards Update No. 2018-10 and Accounting Standards Update No. 2018-11 in July 2018, which provide clarifications and improvements to ASU 2016-02 (collectively, the "new lease standard"). Accounting Standards Update No. 2018-11 also provides the optional transition method which allows companies to apply the new lease standard at the adoption date instead of at the earliest comparative period presented. The new lease standard requires lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet.

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

Intangible – Goodwill and Other

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, Intangible – Goodwill and Other (Topic 350): Simplify the Test for Goodwill Impairment ("ASU 2017-04") which simplifies the accounting for goodwill impairment. ASU 2017-04 removes "step two" of the goodwill impairment test, such that a goodwill impairment charge will now be the amount by which a reporting unit's carrying value exceeds its fair value. ASU 2017-04 should be applied prospectively and is effective for fiscal years, or any goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for any impairment tests performed after January 1, 2017. The Company early adopted ASU 2017-04 in the fourth quarter of the year ended December 28, 2019. The adoption did not have a material impact on the Company's Consolidated Financial Statements.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which supersedes previous revenue recognition guidance. The FASB issued several updates amending or relating to ASU 2014-09 (collectively, the "new revenue standard"). The Company adopted the new revenue standard in the 2018 fiscal year using the full retrospective method, which requires the Company

to restate each prior reporting period presented in future financial statement issuances. The impacts of adopting the new revenue standard relate to our accounting for certain arrangements within the auto segment.

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

Additionally, for certain multiple-element arrangements within the Company's auto segment, the Company's policy had been to allocate consideration to traffic services and recognize the revenue and associated cost of royalties ratably over the estimated life of the underlying product. Under the new revenue standard, we recognize revenue and associated costs of royalties related to certain broadcast traffic services at the time of hardware and/or software delivery. Specifically, the new revenue standard emphasizes the timing of the Company's performance, and upon delivery of the navigation device and/or software, the Company has fully performed its obligation with respect to the design and production of the product to receive and interpret the broadcast traffic signal for the benefit of the end user.

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

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

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

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

- (1) The Restated results above were presented in our fiscal year 2018 Annual Report on Form 10-K filed with the SEC on February 20, 2019, in connection with the Company's adoption of ASC Topic 606 in fiscal year 2018 using the full retrospective method.

Financial Instruments – Recognition, Measurement, Presentation, and Disclosure

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

Statement of Cash Flows

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

Income Taxes

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

Income Statement – Reporting Comprehensive Income

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

3. Marketable Securities

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

Level 1 Unadjusted quoted prices in active markets for identical assets or liability

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

Level 3 Unobservable inputs for the asset or liability

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

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

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

	Fair Value Measurements as of December 28, 2019			
	Total	Level 1	Level 2	Level 3
U.S. Treasury securities	\$ 15,179	\$ —	\$ 15,179	\$ —
Agency securities	64,675	—	64,675	—
Mortgage-backed securities	254,022	—	254,022	—
Corporate securities	985,650	—	985,650	—
Municipal securities	164,755	—	164,755	—
Other	97,657	—	97,657	—
Total	<u>\$1,581,938</u>	<u>\$ —</u>	<u>\$1,581,938</u>	<u>\$ —</u>

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

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

	Available-For-Sale Securities as of December 28, 2019			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$ 15,204	\$ 5	\$ (30)	\$ 15,179
Agency securities	64,582	120	(27)	64,675
Mortgage-backed securities	256,417	90	(2,485)	254,022
Corporate securities	980,590	8,806	(3,746)	985,650
Municipal securities	163,898	1,092	(235)	164,755
Other	98,246	111	(700)	97,657
Total	<u>\$1,578,937</u>	<u>\$ 10,224</u>	<u>\$ (7,223)</u>	<u>\$1,581,938</u>

**Available-For-Sale Securities
as of December 29, 2018**

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

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

The Company recognizes the credit component of other-than-temporary impairments of debt securities within Other income (expense) on the Company's Consolidated Statements of Income and the noncredit component within Accumulated other comprehensive income on the Company's Consolidated Balance Sheets. During 2019 and 2018, the Company did not record any material impairment charges on its outstanding securities.

The amortized cost and fair value of the securities at an unrealized loss position at December 28, 2019 were \$611,732 and \$604,509 respectively. Approximately 42% of securities in our portfolio were at an unrealized loss position at December 28, 2019. We have the ability to hold these securities until maturity or their value is recovered. We do not consider these unrealized losses to be other than temporary credit losses because there has been no material deterioration in credit quality and no change in the cash flows of the underlying securities. We do not intend to sell the securities and it is not more likely than not that we will be required to sell the securities; therefore, no material impairment has been recorded in the accompanying consolidated statement of income.

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

The following tables display additional information regarding gross unrealized losses and fair value by major security type for available-for-sale securities in an unrealized loss position as of December 28, 2019 and December 29, 2018.

	As of December 28, 2019			
	Less than 12 Consecutive Months		12 Consecutive Months or Longer	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$ —	\$ —	\$ (30)	\$ 13,087
Agency securities	(16)	20,808	(11)	20,812
Mortgage-backed securities	(745)	79,007	(1,740)	86,392
Corporate securities	(1,585)	183,691	(2,161)	100,926
Municipal securities	(218)	34,165	(17)	9,522
Other	(410)	34,540	(290)	21,559
Total	\$ (2,974)	\$ 352,211	\$ (4,249)	\$ 252,298

As of December 29, 2018

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

The amortized cost and fair value of marketable securities at December 28, 2019, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

	Amortized	
	Cost	Fair Value
Due in one year or less	\$ 376,222	\$ 376,463
Due after one year through five years	1,043,626	1,047,849
Due after five years through ten years	155,415	154,045
Due after ten years	3,674	3,581
	\$ 1,578,937	\$ 1,581,938

4. Commitments and Contingencies

Commitments

The Company is party to certain commitments, which include purchases of raw materials, capital expenditures, advertising, and other indirect purchases in connection with conducting our business. The aggregate amount of purchase orders and other commitments open as of December 28, 2019 was approximately \$586,300. We cannot determine the aggregate amount of such purchase orders that represent contractual obligations because purchase orders may represent authorizations to purchase rather than binding agreements. Our purchase orders are generally based on our current needs and typically fulfilled by our suppliers, contract manufacturers, and logistics providers within short periods of time.

Certain cash balances are held as collateral in relation to bank guarantees. The total amount of restricted cash was \$71 and \$73 on December 28, 2019 and December 29, 2018, respectively.

Contingencies

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

If an outcome unfavorable to the Company is determined to be probable, but the amount of loss cannot be reasonably estimated or is determined to be reasonably possible, but not probable, we disclose the nature of the contingency and an estimate of the possible loss or range of loss or a statement that such an estimate cannot be made. The Company's aggregate range of reasonably possible losses includes (1) matters where a

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

Management of the Company currently does not believe it is reasonably possible that the Company may have incurred a material loss, or a material loss in excess of recorded accruals, with respect to loss contingencies in the aggregate, for the fiscal year ended December 28, 2019. The results of legal proceedings, investigations and claims, however, cannot be predicted with certainty. An adverse resolution of one or more of such matters in excess of management's expectations could have a material adverse effect in the particular quarter or fiscal year in which a loss is recorded, but based on information currently known, the Company does not believe it is likely that losses from such matters would have a material adverse effect on the Company's business or its consolidated financial position, results of operations or cash flows.

The Company settled or resolved certain legal matters during the fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017 that did not individually or in the aggregate have a material impact on the Company's business or its consolidated financial position, results of operations or cash flows.

5. Employee Benefit Plans

GII and the Company's other U.S.-based subsidiaries sponsor a defined contribution employee retirement plan under which their employees may contribute up to 50% of their annual compensation subject to Internal Revenue Code maximum limitations and to which the subsidiaries contribute a specified percentage of each participant's annual compensation up to certain limits as defined in the retirement plan. During the years ended December 28, 2019, December 29, 2018, and December 30, 2017, expense related to this and other defined contribution plans of \$55,456, \$52,232, and \$43,826, respectively, was recorded within the Company's Consolidated Statements of Income.

Certain of the Company's non-U.S. subsidiaries sponsor or participate in local defined benefit pension plans for which contributions are calculated by formulas that consider final pensionable salaries. The obligations, contributions, and associated expense of such plans for the years ended December 28, 2019, December 29, 2018, and December 30, 2017 were not material.

6. Income Taxes

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

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Federal:			
Current	\$ 32,874	\$ 26,784	\$ 31,343
Deferred	20,388	13,249	50,724
	<u>\$ 53,262</u>	<u>\$ 40,033</u>	<u>\$ 82,067</u>
State:			
Current	\$ 12,605	\$ 13,015	\$ 4,203
Deferred	831	(1,599)	11,684
	<u>\$ 13,436</u>	<u>\$ 11,416</u>	<u>\$ 15,887</u>
Foreign:			
Current	\$ 77,594	\$ 53,625	\$ 43,688
Deferred	(109,556)	24,093	(153,578)
	<u>\$ (31,962)</u>	<u>\$ 77,718</u>	<u>\$ (109,890)</u>
Total	<u><u>\$ 34,736</u></u>	<u><u>\$ 129,167</u></u>	<u><u>\$ (11,936)</u></u>

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

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Federal income tax expense at U.S. statutory rate	\$ 207,317	\$ 172,882	\$ 243,975
State income tax expense, net of federal tax effect	7,827	5,339	5,977
Foreign-Derived Intangible Income Deduction	(4,966)	(4,666)	—
Foreign tax rate differential	(57,302)	(38,563)	(106,763)
Other foreign taxes less incentives and credits	6,360	(12,841)	(4,646)
Withholding Tax	32,162	33,306	14,632
Net Change in Uncertain Tax Positions	(17,259)	(13,728)	5,363
Federal Domestic Production Activities Deduction	—	—	(3,895)
Federal Research and Development Credit	(19,338)	(16,562)	(10,851)
Share Based Compensation	(6,169)	(2,747)	19,916
Switzerland Corporate Tax Election	—	—	(180,034)
Switzerland Deferred Tax Assets	(117,989)	—	—
Other, net	4,093	6,747	4,390
Income tax expense (benefit)	<u><u>\$ 34,736</u></u>	<u><u>\$ 129,167</u></u>	<u><u>\$ (11,936)</u></u>

The Company recorded income tax expense of \$34,736 in the year ended December 28, 2019, which included an income tax benefit of \$117,989 related to the revaluation and step-up of certain Switzerland tax assets as a result of the October 2019 enactment of Switzerland federal and Schaffhausen cantonal tax reform and related transitional measures. The Company recorded an income tax benefit of \$11,936 in the year ended December 30, 2017, which included an income tax benefit of \$180,034 primarily related to the revaluation of certain Switzerland deferred tax assets resulting from the Company's election in the first quarter of 2017 to align certain Switzerland corporate tax positions with international tax initiatives.

The Company's statutory federal income tax rate in Switzerland, the Company's place of incorporation since the Redomestication, is 7.83%. If the Company reconciled taxes at the Swiss holding company federal statutory tax rate to the reported income tax expense for 2019 as presented above, the amounts related to tax at the statutory rate would be approximately \$130,000 lower, or \$77,000, and the foreign tax rate differential would be adjusted by a similar amount to approximately \$73,000. For 2018, the amounts related to tax at the statutory rate would be approximately \$108,000 lower, or \$65,000, and the foreign tax rate differential would be adjusted by a similar amount to approximately \$65,000. For 2017, the amount related to tax at the statutory rate would be approximately \$186,000 lower, or \$53,600, and the foreign tax differential would be reduced by a similar amount to approximately \$77,000. All other amounts would remain substantially unchanged.

The Company's income before income taxes attributable to non-U.S. operations was \$606,711, \$532,657, and \$461,436, for the years ended December 28, 2019, December 29, 2018, and December 30, 2017, respectively.

Income taxes of \$35,982, \$36,800, and \$45,534 at December 28, 2019, December 29, 2018, and December 30, 2017, respectively, have not been accrued by the Company for the unremitted earnings of several of its foreign subsidiaries because such earnings are intended to be reinvested in the subsidiaries indefinitely.

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

	December 28, 2019	December 29, 2018
Deferred tax assets:		
Product warranty accruals	\$ 2,652	\$ 2,468
Allowance for doubtful accounts	3,981	3,964
Inventory reserves	7,187	6,023
Sales program allowances	1,185	1,657
Reserve for sales returns	1,732	1,368
Accrued vacation	9,079	8,179
Other accruals	4,320	3,083
Share based compensation	7,501	6,744
Tax credit carryforwards	11,164	9,697
Intangible assets	250,313	147,674
Net operating losses	1,981	3,580
Benefit related to uncertain tax positions	6,095	5,852
Operating leases	12,711	253
Other	1,755	4,543
Valuation allowance related to loss carryforward and tax credits	(4,562)	(4,568)
	<u>\$ 317,094</u>	<u>\$ 200,517</u>
Deferred tax liabilities:		
Fixed assets	33,754	17,543
Operating leases	12,473	—
Prepaid expenses	1,849	2,257
Book basis in excess of tax basis for acquired entities	22,488	14,068
Withholding tax	91,966	79,660
Other	800	2,974
	<u>163,330</u>	<u>116,502</u>
Net deferred tax assets	<u>\$ 153,764</u>	<u>\$ 84,015</u>

Deferred tax assets related to intangible assets increased as of December 28, 2019 as compared to December 29, 2018 by \$102,639 primarily related to the revaluation and step-up of certain Switzerland tax assets as a result of the enactment of Switzerland federal and Schaffhausen cantonal tax reform and related transitional measures.

At December 28, 2019, the Company had \$11,164 of tax credit carryover compared to \$9,697 at December 29, 2018. At December 28, 2019, the Company had a deferred tax asset of \$1,981 related to the future tax benefit of net operating loss (NOL) carryforwards of \$7,895. Included in the NOL carryforwards is \$880 that relates to Finland and expires in varying amounts between 2025 and 2028, \$607 that relates to the Netherlands and expires in 2026, and \$6,408 that relates to various other jurisdictions and has no expiration date. The Company has recorded a valuation allowance for a portion of its deferred tax asset relating to various tax attributes that it does not believe are more likely than not to be realized. In the future, if the Company determines, based on existence of sufficient evidence, that it should realize more or less of its deferred tax assets, an adjustment to the valuation allowance will be made in the period such a determination is made.

The total amount of gross unrecognized tax benefits, primarily related to transfer pricing, as of December 28, 2019 was \$101,251. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits for years ended December 28, 2019, December 29, 2018, and December 30, 2017 is as follows:

	December 28, 2019	December 29, 2018	December 30, 2017
Balance beginning of year	\$ 118,287	\$ 130,798	\$ 115,090
Additions based on tax positions related to prior years	398	1,138	8,564
Reductions based on tax positions related to prior years	(6,556)	(5,340)	(983)
Additions based on tax positions related to current period	13,806	19,368	26,295
Reductions related to settlements with tax authorities	(218)	(527)	—
Expiration of statute of limitations	(24,466)	(27,150)	(18,168)
Balance at end of year	<u>\$ 101,251</u>	<u>\$ 118,287</u>	<u>\$ 130,798</u>

Accounting guidance requires unrecognized tax benefits to be classified as noncurrent liabilities, except for the portion that is expected to be paid within one year of the balance sheet date. The balance of net unrecognized benefits of \$92,056, \$114,682, and \$127,306 are required to be classified as noncurrent at December 28, 2019, December 29, 2018, and December 30, 2017, respectively. The balance of net unrecognized tax benefits of \$5,816 is classified as a current liability at December 28, 2019. None of the unrecognized tax benefits were classified as current liabilities for the years ending December 29, 2018 or December 30, 2017. The net unrecognized tax benefits, if recognized, would reduce the effective tax rate. None of the unrecognized tax benefits are due to uncertainty in the timing of deductibility.

Interest and penalties, if any, accrued on the unrecognized tax benefits are reflected in income tax expense. At December 28, 2019, December 29, 2018, and December 30, 2017, the Company had accrued approximately \$7,636, \$6,613, and \$5,605, respectively, for interest. The interest component of the reserve increased income tax expense for the years ending December 28, 2019, December 29, 2018, and December 30, 2017, by \$1,023, \$1,008, and \$1,704, respectively. The Company did not have material amounts accrued for penalties for the years ending December 28, 2019, December 29, 2018, and December 30, 2017.

The Company files income tax returns in Switzerland, U.S. federal jurisdiction, as well as various states, local, and foreign jurisdictions. In its major tax jurisdictions, Switzerland, Taiwan, United Kingdom, and U.S. federal and various states, the Company is no longer subject to income tax examinations by tax authorities, with few exceptions, for years prior to 2015, 2014, 2017, and 2016, respectively.

The Company recognized a reduction of income tax expense of \$26,158, \$27,106, and \$17,918 in fiscal years ended December 28, 2019, December 29, 2018, and December 30, 2017, respectively, to reflect the expiration of statutes of limitations and releases due to audit settlement in various jurisdictions.

The Company believes that it is reasonably possible that approximately \$25,000 to \$40,000 of its reserves for certain unrecognized tax benefits will decrease within the next 12 months as the result of the expiration of statutes of limitations. This potential decrease in unrecognized tax benefits would impact the Company's effective tax rate within the next 12 months.

7. Fair Value of Financial Instruments

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

	December 28, 2019		December 29, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$1,027,567	\$1,027,567	\$1,201,732	\$1,201,732
Restricted cash	\$ 71	\$ 71	\$ 73	\$ 73
Marketable securities	\$1,581,938	\$1,581,938	\$1,513,112	\$1,513,112

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

8. Segment Information

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

The products of the Company's reportable segments are sold through the Company's network of independent dealers and distributors as well as through OEMs. However, the nature of products and types of customers for the five reportable segments vary. All of the Company's segments include portable global positioning system (GPS) receivers and accessories sold to retail outlets. These products are produced primarily by the Company's subsidiary in Taiwan. The Company's aviation products include 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, who has been identified as the CODM, uses operating income as the measure of profit or loss, combined with other measures, to assess segment performance and allocate resources. Operating income represents net sales less costs of goods sold and operating expenses. Net sales are directly attributed to each segment. Most costs of goods sold and the majority of operating expenses are also directly attributed to each segment, while certain other costs of goods sold and operating expenses are allocated to the segments in a manner appropriate to the specific facts and circumstances of the expenses being allocated. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. There are no inter-segment sales or transfers.

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

In the first quarter of fiscal 2019, the methodology used to allocate certain selling, general, and administrative expenses to the segments was refined, endeavoring to provide the Company's CODM with a more meaningful representation of segment profit or loss in light of the evolution of its segments. The Company's composition of operating segments and reportable segments did not change. Prior year amounts are presented here as they were originally reported, as it is not practicable to accurately restate prior period activity in accordance with the refined allocation methodology. For comparative purposes, we estimate operating income for the 52-weeks ended December 29, 2018 would have been approximately \$18 million less for the aviation segment, approximately \$11 million more for the marine segment, approximately \$7 million more for the outdoor segment, and not significantly different for the auto and fitness segments. We estimate operating income for the 52-weeks ended December 30, 2017 would have been approximately \$14 million less for the aviation segment, approximately \$8 million less for the fitness segment, approximately \$8 million more for the marine segment, and approximately \$7 million more for each of the outdoor and auto segments.

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

	Reportable Segments					
	Fitness	Outdoor	Aviation	Auto	Marine	Total
52-Weeks Ended December 28, 2019						
Net sales	\$ 1,047,527	\$ 917,567	\$ 735,458	\$ 548,103	\$ 508,850	\$ 3,757,505
Gross profit	532,604	598,443	543,385	256,595	302,949	2,233,976
Operating income	191,858	334,041	252,943	56,868	109,876	945,586
52-Weeks Ended December 29, 2018						
Net sales	\$ 858,329	\$ 809,883	\$ 603,459	\$ 634,213	\$ 441,560	\$ 3,347,444
Gross profit	471,764	528,254	450,152	270,793	258,756	1,979,719
Operating income	181,745	290,510	204,746	37,998	63,344	778,343
52-Weeks Ended December 30, 2017						
Net sales	\$ 762,194	\$ 698,867	\$ 501,359	\$ 785,139	\$ 374,001	\$ 3,121,560
Gross profit	422,636	448,410	371,605	342,698	212,592	1,797,941
Operating income	146,765	249,867	153,933	82,744	50,328	683,637

Net sales, property and equipment, and net assets by geographic area are as shown below for the years ended December 28, 2019, December 29, 2018, and December 30, 2017. Note that APAC includes Asia Pacific and Australian Continent, and EMEA includes Europe, the Middle East and Africa.

	Americas	EMEA	APAC	Total
December 28, 2019				
Net sales to external customers ⁽¹⁾	\$ 1,817,770	\$ 1,350,533	\$ 589,202	\$ 3,757,505
Property and equipment, net	435,503	65,323	228,095	728,921
Net assets ⁽²⁾	3,074,155	714,602	1,004,739	4,793,496
December 29, 2018				
Net sales to external customers ⁽¹⁾	\$ 1,596,716	\$ 1,204,969	\$ 545,759	\$ 3,347,444
Property and equipment, net	408,992	45,571	208,964	663,527
Net assets ⁽²⁾	2,726,196	441,506	995,272	4,162,974
December 30, 2017				
Net sales to external customers ⁽¹⁾	\$ 1,504,194	\$ 1,172,538	\$ 444,828	\$ 3,121,560
Property and equipment, net	381,974	40,318	173,392	595,684
Net assets ⁽²⁾	2,375,522	493,999	982,898	3,852,419

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

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

9. Stock Compensation Plans

Accounting for Stock-Based Compensation

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

2011 Non-employee Directors' Equity Incentive Plan

In June 2011, the stockholders adopted an equity incentive plan for non-employee directors (the "2011 Directors Plan") providing for grants of stock options, SARs, RSUs and/or performance shares, pursuant to which up to 122,592 shares were available for issuance. The term of each award cannot exceed ten years. Awards are subject to a minimum one-year vesting period. In 2019, 2018, and 2017, 8,016, 10,376, and 10,432 RSUs were granted under this plan.

2005 Equity Incentive Plan

In June 2005, the shareholders adopted an equity incentive plan (the "2005 Plan") providing for grants of incentive and nonqualified stock options, SARs, RSUs and/or performance shares to employees of the Company and its subsidiaries, pursuant to which up to 10,000,000 common shares were available for issuance. In 2013, the shareholders approved an additional 3,000,000 shares to the plan, making the total shares authorized under the plan 13,000,000. Option and SAR grants vest evenly over a period of five years or as otherwise determined by the Board of Directors or the Compensation Committee and generally expire ten years from the date of grant, if not exercised. RSUs granted prior to December 10, 2012 vested evenly over a period of five years, while RSUs granted on and after that date vested or are vesting evenly over a period of three years. In addition to time-based vesting requirements, the vesting of certain RSU grants is also contingent upon the Company's achievement of certain financial performance goals. During 2019, 2018, and 2017, 786,346, 1,040,001, and 1,044,045 RSUs were granted under the 2005 Plan. No SARs were granted under the 2005 Plan in 2019, 2018, or 2017.

2000 Equity Incentive Plan

In October 2000, the shareholders adopted an equity incentive plan (the "2000 Plan") providing for grants of incentive and nonqualified stock options, SARs, RSUs and/or performance shares to employees of the Company and its subsidiaries, pursuant to which up to 7,000,000 common shares were available for issuance. The stock options and SARs vest evenly over a period of five years or as otherwise determined by the Board of Directors or the Compensation Committee and generally expire ten years from the date of grant, if not exercised. The Company did not grant any stock awards from the 2000 Plan in 2019, 2018, or 2017.

2000 Non-employee Directors' Option Plan

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

Stock-Based Compensation Activity

A summary of the Company's stock-based compensation activity and related information under the 2011 Directors Plan, the 2005 Plan, the 2000 Plan and the 2000 Directors Plan for the years ended December 28, 2019, December 29, 2018, and December 30, 2017 is provided below:

	Stock Options and SARs	
	Weighted-Average Exercise Price	Number of Shares
		<i>(In Thousands)</i>
Outstanding at December 31, 2016	\$ 74.48	2,737
Granted		—
Exercised	\$ 50.15	(397)
Forfeited/Expired	\$ 84.57	(1,948)
Outstanding at December 30, 2017	\$ 48.94	392
Granted		—
Exercised	\$ 48.16	(304)
Forfeited/Expired	\$ 83.01	(2)
Outstanding at December 29, 2018	\$ 50.92	86
Granted		—
Exercised	\$ 49.07	(20)
Forfeited/Expired		—
Outstanding at December 28, 2019	\$ 51.46	<u>66</u>
Exercisable at December 28, 2019	\$ 51.46	66
Expected to vest after December 28, 2019		—

Stock Options and SARs as of December 28, 2019			
Exercise Price	Awards Outstanding	Remaining Life (Years)	Awards Exercisable
	<i>(In Thousands)</i>		<i>(In Thousands)</i>
\$18.00 - \$40.00	—	—	—
\$40.01 - \$60.00	66	4.67	66
\$60.01 - \$80.00	—	—	—
\$80.01 - \$100.00	—	—	—
\$100.01 - \$120.00	—	—	—
\$120.01 - \$140.00	—	—	—
	<u>66</u>	<u>4.67</u>	<u>66</u>

	Restricted Stock Units	
	Weighted-Average Grant Date Fair Value	Number of Shares
		<i>(In Thousands)</i>
Outstanding at December 31, 2016	\$ 38.94	1,824
Granted	\$ 51.71	1,055
Released/Vested	\$ 39.31	(763)
Cancelled	\$ 40.40	(54)
Outstanding at December 30, 2017	\$ 45.30	2,062
Granted	\$ 58.66	1,050
Released/Vested	\$ 42.55	(961)
Cancelled	\$ 47.91	(52)
Outstanding at December 29, 2018	\$ 53.17	2,099
Granted	\$ 85.93	794
Released/Vested	\$ 50.02	(1,053)
Cancelled	\$ 58.62	(61)
Outstanding at December 28, 2019	\$ 69.47	<u>1,779</u>

The weighted-average remaining contract life for stock options and SARs outstanding and exercisable at December 28, 2019 were 4.67 years. The weighted-average remaining contract life of restricted stock units at December 28, 2019 was 1.19 years.

The total fair value of awards vested during 2019, 2018, and 2017, was \$52,780, \$41,092, and \$30,280, respectively. The aggregate intrinsic values of options and SARs outstanding and exercisable at December 28, 2019 were \$3,122. The aggregate intrinsic values of options and SARs exercised during 2019, 2018, and 2017 were \$952, \$4,452, and \$3,742, respectively. The aggregate intrinsic value of RSUs outstanding at December 28, 2019 was \$175,269. The aggregate intrinsic values of RSUs released during 2019, 2018, and 2017 were \$103,702, \$60,361, and \$45,424, respectively. Aggregate intrinsic value of options and SARs represents the applicable number of awards multiplied by the positive difference between the exercise price and the Company's closing stock price on the last trading day of the relevant fiscal period. Aggregate intrinsic value of RSUs represents the applicable number of awards multiplied by the Company's closing stock price on the last trading day of the relevant fiscal period. The Company's closing stock price was \$98.52 on December 28, 2019 (based on the closing stock price on December 27, 2019). As of December 28, 2019, there was \$80,613 of total unrecognized compensation cost related to unvested share-based compensation awards granted to employees under the stock compensation plans. That cost is expected to be recognized over the weighted average remaining vesting period.

Employee Stock Purchase Plan

The shareholders have adopted an ESPP. Up to 8,000,000 shares of common stock have been reserved for the ESPP. Shares will be offered to employees at a price equal to the lesser of 85% of the fair market value of the stock on the date of purchase or 85% of the fair market value on the first day of the ESPP period. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code. During 2019, 2018, and 2017, 451,625, 463,066, and 489,267 shares, respectively, were purchased under the plan for a total purchase price of \$27,048, \$23,709, and \$20,996, respectively. During 2019, 2018, and 2017, the purchases were issued from treasury shares. At December 28, 2019, approximately 2,055,655 shares were available for future issuance.

10. Earnings Per Share

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

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Numerator:			
Numerator for basic and diluted net income per share - net income	\$ 952,486	\$ 694,080	\$ 709,007
Denominator:			
Denominator for basic net income per share – weighted-average common shares	189,931	188,635	187,828
Effect of dilutive securities – employee stock options and stock appreciation rights	968	1,099	904
Denominator for diluted net income per share – adjusted weighted-average common shares	190,899	189,734	188,732
Basic net income per share	\$ 5.01	\$ 3.68	\$ 3.77
Diluted net income per share	\$ 4.99	\$ 3.66	\$ 3.76

There were 297,995 and 1,175,728 outstanding stock options, stock appreciation rights, and restricted stock units (collectively "equity awards") excluded from the computation of diluted earnings per share for the 2019 and 2017 fiscal years, respectively, because the effect would have been anti-dilutive. There were no equity awards excluded from the computation of diluted earnings per share for the 2018 fiscal year because the effect would have been anti-dilutive.

11. Share Repurchase Plan

On February 13, 2015, the Board of Directors approved a share repurchase program authorizing the Company to purchase up to \$300,000 of its common shares through December 31, 2016. In December 2016, the Board of Directors authorized an extension through December 31, 2017 to purchase remaining common shares. Under the plan, the Company repurchased 0 shares in fiscal 2019 and fiscal 2018, and repurchased 1,474,092 shares using cash of \$74,523 in fiscal 2017.

12. Accumulated Other Comprehensive Income

The following provides required disclosure of changes in accumulated other comprehensive income (AOCI) balances by component for the year ended December 28, 2019:

	Foreign Currency Translation Adjustment	Net unrealized gains (losses) on available-for- sale securities	Total
Balance - beginning of period	\$ 47,327	\$ (38,897)	\$ 8,430
Other comprehensive income before reclassification, net of income tax expense of \$5,982	7,962	40,228	48,190
Amounts reclassified from accumulated other comprehensive income	—	(746)	(746)
Net current-period other comprehensive income	7,962	39,482	47,444
Balance - end of period	<u>\$ 55,289</u>	<u>\$ 585</u>	<u>\$ 55,874</u>

The following provides required disclosure of reporting reclassifications out of AOCI for the year ended December 28, 2019:

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income is Presented
Unrealized gains (losses) on available-for-sale securities	\$ 799	Other income (expense)
		(53) Income tax benefit (provision)
	<u>\$ 746</u>	Net of tax

13. Revenue

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

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

	Auto Revenue by Major Product Category		
	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Auto PND	67%	67%	69%
Auto OEM	33%	33%	31%

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

	Fiscal Year Ended		
	December 28, 2019	December 29, 2018	December 30, 2017
Point in time	\$ 3,577,715	\$ 3,176,949	\$ 2,954,945
Over time	179,790	170,495	166,615
Net sales	\$ 3,757,505	\$ 3,347,444	\$ 3,121,560

Transaction price and costs associated with the Company's unsatisfied performance obligations are reflected as deferred revenue and deferred costs, respectively, on the Company's Consolidated Balance Sheets. Such amounts are recognized ratably over the applicable service period or estimated useful life. Changes in deferred revenue and costs during the 52-week periods ending December 28, 2019 and December 29, 2018, are presented below:

	Fiscal Year Ended			
	December 28, 2019		December 29, 2018	
	Deferred Revenue ⁽¹⁾	Deferred Costs ⁽²⁾	Deferred Revenue ⁽¹⁾	Deferred Costs ⁽²⁾
Balance, beginning of period	\$ 172,938	\$ 57,935	\$ 190,200	\$ 63,554
Deferrals in period	168,743	25,751	153,233	36,297
Recognition of deferrals in period	(179,790)	(35,088)	(170,495)	(41,916)
Balance, end of period	\$ 161,891	\$ 48,598	\$ 172,938	\$ 57,935

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

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

Of the \$179,790 of deferred revenue recognized in the 52-weeks ended December 28, 2019, \$95,009 was deferred as of the beginning of the period. Of the \$170,495 of deferred revenue recognized in the 52-weeks ended December 29, 2018, \$105,924 was deferred as of the beginning of the period.

Of the \$161,891 and \$172,938 of deferred revenue at the end of the periods, December 28, 2019 and December 29, 2018, respectively, approximately two-thirds is recognized ratably over a period of three years or less.

14. Leases

The following table represents lease costs recognized in the Company's Consolidated Statements of Income for the 52-weeks ended December 28, 2019. Lease costs are included in Selling, general and administrative expense and Research and development expense on the Company's Condensed Consolidated Statements of Income.

	Fiscal Year Ended December 28, 2019
Operating lease cost ⁽¹⁾	\$ 25,238

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

Prior to the adoption of the new lease standard, lease expense for the years ended December 29, 2018 and December 30, 2017 were \$21,096 and \$18,915, respectively.

The following table represents the components of leases that are recognized on the Company's Consolidated Balance Sheets as of December 28, 2019.

	December 28, 2019
Operating lease right-of-use assets	\$ 63,589
Other accrued expenses	\$ 14,762
Noncurrent operating lease liabilities	49,238
Total lease liabilities	\$ 64,000
Weighted average remaining lease term	5.7 years
Weighted average discount rate	4.1%

The following table represents the maturity of lease liabilities.

Year	Amount
2020	\$ 17,626
2021	14,565
2022	10,683
2023	9,768
2024	7,258
Thereafter	13,264
Total	73,164
Less: imputed interest	(9,164)
Present value of lease liabilities	64,000

As of December 28, 2019, the Company has entered into leases that have not yet commenced with future lease payments of \$23,966, the majority of which relates to a manufacturing facility lease in Poland. These leases will commence in fiscal year 2020 with lease terms ranging from 5 to 10 years.

As of December 29, 2018, prior to the Company's adoption of Topic 842, future minimum lease payments were as follows:

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

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

**Fiscal Year Ended
December 28,
2019**

Cash paid for amounts included in the measurement of operating lease liabilities ⁽²⁾	\$	18,636
Right-of-use assets obtained in exchange for new operating lease liabilities	\$	18,248

⁽²⁾ Included in Net cash provided by operating activities on the Company's Statements of Cash Flows

15. Selected Quarterly Information (Unaudited)

	52-Weeks Ended December 28, 2019			
	Quarter Ending			
	March 30	June 29	September 28	December 28
Net sales	\$ 766,050	\$ 954,840	\$ 934,383	\$ 1,102,233
Gross profit	451,698	575,365	567,458	639,456
Net income	140,173	223,656	227,866	360,792
Basic net income per share	\$ 0.74	\$ 1.18	\$ 1.20	\$ 1.90
Diluted net income per share	\$ 0.74	\$ 1.17	\$ 1.19	\$ 1.89

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

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

16. Recently Issued Accounting Pronouncements

Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). ASU 2016-13 provides new guidance on assessment of expected credit losses of certain financial instruments. ASU 2016-13 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted. The Company does not expect the new standard to have a material impact on its Consolidated Financial Statements.

Receivables – Nonrefundable Fees and Other Costs

In March 2017, the FASB issued Accounting Standards Update No. 2017-08, Receivables – Nonrefundable Fees and Other Costs (Topic 310-20): Premium Amortization on Purchased Callable Debt Securities (“ASU 2017-08”), which shortens the amortization period for certain callable debt securities held at a premium, requiring the premium to be amortized to the earliest call date. Callable debt securities held at a discount continue to be amortized to maturity. ASU 2017-08 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted. The Company does not expect the new standard to have a material impact on its Consolidated Financial Statements.

17. Subsequent Events

In February 2020, the Company initiated a transaction, including a multi-year intercompany license agreement, between wholly-owned subsidiaries to migrate ownership of certain intellectual property from Switzerland to the United States. The expected impact of this subsequent event was considered when determining the carrying value associated with the revaluation and step-up of certain Switzerland tax assets, which was recorded by the Company in fiscal 2019 as a result of the enactment of Switzerland federal and Schaffhausen cantonal tax reform.