

**United States
Securities and Exchange Commission
Washington, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended March 26, 2022

or

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

For the transition period from _____ to _____

Commission file number 001-41118

GARMIN LTD.

(Exact name of Company as specified in its charter)

Switzerland

(State or other jurisdiction
of incorporation or organization)

98-0229227

(I.R.S. Employer
identification no.)

**Mühlentalstrasse 2
8200 Schaffhausen
Switzerland**

(Address of principal executive offices)

N/A

(Zip Code)

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

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

Registered Shares, CHF 0.10 Per Share Par Value

(Title of each class)

GRMN

(Trading Symbol)

New York Stock Exchange

(Name of each exchange on which registered)

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YES NO

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

Large Accelerated Filer

Non-accelerated Filer

Accelerated Filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. YES NO

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

YES NO

Number of shares outstanding of the registrant's common shares as of April 22, 2022

Registered Shares, CHF 0.10 par value: 193,125,036 (excluding treasury shares)

Garmin Ltd.
Form 10-Q
Quarter Ended March 26, 2022

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Part I - Financial Information
Item I - Condensed Consolidated Financial Statements
Garmin Ltd. and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)
(In thousands, except per share information)

	March 26, 2022	December 25, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,417,531	\$ 1,498,058
Marketable securities	375,237	347,980
Accounts receivable, net	599,733	843,445
Inventories	1,339,530	1,227,609
Deferred costs	15,003	15,961
Prepaid expenses and other current assets	335,169	328,719
Total current assets	4,082,203	4,261,772
Property and equipment, net	1,092,520	1,067,478
Operating lease right-of-use assets	101,198	89,457
Noncurrent marketable securities	1,238,500	1,268,698
Deferred income tax assets	301,718	260,205
Noncurrent deferred costs	11,396	12,361
Goodwill	572,996	575,080
Other intangible assets, net	209,325	215,993
Other noncurrent assets	93,393	103,383
Total assets	\$ 7,703,249	\$ 7,854,427
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 298,992	\$ 370,048
Salaries and benefits payable	170,835	211,371
Accrued warranty costs	40,698	45,467
Accrued sales program costs	68,715	121,514
Other accrued expenses	209,155	225,988
Deferred revenue	86,444	87,654
Income taxes payable	148,268	128,083
Dividend payable	129,394	258,023
Total current liabilities	1,152,501	1,448,148
Deferred income tax liabilities	117,649	117,595
Noncurrent income taxes payable	62,732	62,539
Noncurrent deferred revenue	39,061	41,618
Noncurrent operating lease liabilities	82,127	70,044
Other noncurrent liabilities	337	324
Stockholders' equity:		
Shares, CHF 0.10 par value, 198,077 shares authorized and issued; 193,125 shares outstanding at March 26, 2022 and 192,608 shares outstanding at December 25, 2021	17,979	17,979
Additional paid-in capital	1,982,561	1,960,722
Treasury stock	(294,711)	(303,114)
Retained earnings	4,532,102	4,320,737
Accumulated other comprehensive income	10,911	117,835
Total stockholders' equity	6,248,842	6,114,159
Total liabilities and stockholders' equity	\$ 7,703,249	\$ 7,854,427

See accompanying notes.

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

	13-Weeks Ended	
	March 26, 2022	March 27, 2021
Net sales	\$ 1,172,662	\$ 1,072,327
Cost of goods sold	510,183	430,771
Gross profit	662,479	641,556
Advertising expense	34,133	31,061
Selling, general and administrative expenses	190,784	171,987
Research and development expense	209,006	188,849
Total operating expense	433,923	391,897
Operating income	228,556	249,659
Other income (expense):		
Interest income	7,553	7,652
Foreign currency losses	(3,506)	(8,281)
Other income	3,261	1,484
Total other income (expense)	7,308	855
Income before income taxes	235,864	250,514
Income tax provision	24,272	30,485
Net income	<u>\$ 211,592</u>	<u>\$ 220,029</u>
Net income per share:		
Basic	\$ 1.10	\$ 1.15
Diluted	\$ 1.09	\$ 1.14
Weighted average common shares outstanding:		
Basic	192,887	191,896
Diluted	193,579	192,810

See accompanying notes.

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

	13-Weeks Ended	
	March 26, 2022	March 27, 2021
Net income	\$ 211,592	\$ 220,029
Foreign currency translation adjustment	(56,912)	(35,291)
Change in fair value of available-for-sale marketable securities, net of deferred taxes	(50,012)	(7,884)
Comprehensive income	<u>\$ 104,668</u>	<u>\$ 176,854</u>

See accompanying notes.

Garmin Ltd. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)
For the 13-Weeks Ended March 26, 2022 and March 27, 2021
(In thousands, except per share information)

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 26, 2020	\$ 17,979	\$ 1,880,354	\$ (320,016)	\$ 3,754,372	\$ 183,427	\$ 5,516,116
Net income	—	—	—	220,029	—	220,029
Translation adjustment	—	—	—	—	(35,291)	(35,291)
Adjustment related to unrealized gains (losses) on available-for-sale securities net of income tax effects of \$2,231	—	—	—	—	(7,884)	(7,884)
Comprehensive income	—	—	—	—	—	176,854
Dividends declared	—	—	—	(217)	—	(217)
Issuance of treasury stock related to equity awards	—	(10,118)	27,775	—	—	17,657
Stock compensation	—	22,698	—	—	—	22,698
Purchase of treasury stock related to equity awards	—	—	(17,281)	—	—	(17,281)
Balance at March 27, 2021	\$ 17,979	\$ 1,892,934	\$ (309,522)	\$ 3,974,184	\$ 140,252	\$ 5,715,827

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 25, 2021	\$ 17,979	\$ 1,960,722	\$ (303,114)	\$ 4,320,737	\$ 117,835	\$ 6,114,159
Net income	—	—	—	211,592	—	211,592
Translation adjustment	—	—	—	—	(56,912)	(56,912)
Adjustment related to unrealized gains (losses) on available-for-sale securities net of income tax effects of \$14,701	—	—	—	—	(50,012)	(50,012)
Comprehensive income	—	—	—	—	—	104,668
Dividends declared	—	—	—	(227)	—	(227)
Issuance of treasury stock related to equity awards	—	(2,867)	23,013	—	—	20,146
Stock compensation	—	24,706	—	—	—	24,706
Purchase of treasury stock related to equity awards	—	—	(14,610)	—	—	(14,610)
Balance at March 26, 2022	\$ 17,979	\$ 1,982,561	\$ (294,711)	\$ 4,532,102	\$ 10,911	\$ 6,248,842

See accompanying notes.

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

	13-Weeks Ended	
	March 26, 2022	March 27, 2021
Operating Activities:		
Net income	\$ 211,592	\$ 220,029
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	28,984	23,988
Amortization	12,228	12,902
(Gain) loss on sale or disposal of property and equipment	(1,129)	133
Unrealized foreign currency (gains) losses	(5,113)	7,277
Deferred income taxes	(25,996)	497
Stock compensation expense	24,706	22,698
Realized (gain) loss on marketable securities	(2)	22
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net of allowance for doubtful accounts	238,134	281,524
Inventories	(134,807)	(87,450)
Other current and noncurrent assets	(1,628)	(13,710)
Accounts payable	(61,939)	(3,470)
Other current and noncurrent liabilities	(119,159)	(95,977)
Deferred revenue	(3,704)	(7,998)
Deferred costs	1,904	3,945
Income taxes	21,563	3,952
Net cash provided by operating activities	185,634	368,362
Investing activities:		
Purchases of property and equipment	(59,715)	(36,894)
Proceeds from sale of property and equipment	1,131	—
Purchase of intangible assets	(547)	(760)
Purchase of marketable securities	(497,526)	(404,599)
Redemption of marketable securities	431,604	354,039
Acquisitions, net of cash acquired	(10,828)	(15,893)
Net cash used in investing activities	(135,881)	(104,107)
Financing activities:		
Dividends	(128,856)	(116,655)
Proceeds from issuance of treasury stock related to equity awards	20,146	17,657
Purchase of treasury stock related to equity awards	(14,610)	(17,281)
Net cash used in financing activities	(123,320)	(116,279)
Effect of exchange rate changes on cash and cash equivalents	(6,960)	(6,488)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(80,527)	141,488
Cash, cash equivalents, and restricted cash at beginning of period	1,498,843	1,458,748
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 1,418,316</u>	<u>\$ 1,600,236</u>

See accompanying notes.

Garmin Ltd. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
March 26, 2022
(In thousands, except per share information)

1. Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of Garmin Ltd. and wholly-owned subsidiaries (collectively, the “Company” or “Garmin”). Intercompany balances and transactions have been eliminated.

The condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The condensed consolidated balance sheet at December 25, 2021 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Additionally, the condensed consolidated financial statements should be read in conjunction with Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-Q, and the Company’s Annual Report on Form 10-K for the year ended December 25, 2021. Operating results for the 13-week period ended March 26, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

The Company’s fiscal year is based on a 52- or 53-week period ending on the last Saturday of the calendar year. Therefore, the financial results of certain 53-week fiscal years, and the associated 14-week quarters, will not be exactly comparable to the prior and subsequent 52-week fiscal years and the associated 13-week quarters. The quarters ended March 26, 2022 and March 27, 2021 both contain operating results for 13 weeks.

Changes in Classification and Allocation

Certain prior period amounts have been reclassified or presented to conform to the current period presentation.

In the first quarter of fiscal 2022, the Company refined the methodology used in classifying certain indirect costs in accordance with the way the Company’s management is now using the information in decision making, which management believes provides a more meaningful representation of costs incurred to support research and development activities. As a result, the Company’s condensed consolidated statements of income have been recast for the three months ended March 27, 2021 to reflect a reclassification of \$14,365 from research and development expense to selling, general, and administrative expense.

Additionally, in the first quarter of fiscal 2022, the methodology used to allocate certain selling, general, and administrative expenses to the segments was refined to allocate these expenses in a more direct manner to provide the Company’s Chief Operating Decision Maker (CODM) with a more meaningful representation of segment profit or loss. The Company’s composition of operating segments and reportable segments did not change.

These changes in classification and allocation had no effect on the Company’s consolidated operating or net income.

Significant Accounting Policies

For a description of the significant accounting policies and methods used in the preparation of the Company’s condensed consolidated financial statements, refer to Note 2, “Summary of Significant Accounting Policies” in the Notes to the Consolidated Financial Statements in Part II, Item 8 of the Company’s Annual Report on Form 10-K for the fiscal year ended December 25, 2021. There were no material changes to the Company’s significant accounting policies during the 13-week period ended March 26, 2022.

Recently Issued Accounting Standards and Pronouncements

Recently adopted accounting standards and recently issued accounting pronouncements not yet adopted are not expected to have a material impact on the Company's consolidated financial statements, accounting policies, processes, or systems.

2. Inventories

The components of inventories consist of the following:

	March 26, 2022	December 25, 2021
Raw materials	\$ 545,668	\$ 509,435
Work-in-process	207,340	213,801
Finished goods	586,522	504,373
Inventories	<u>\$ 1,339,530</u>	<u>\$ 1,227,609</u>

3. Earnings Per Share

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

	13-Weeks Ended	
	March 26, 2022	March 27, 2021
Numerator:		
Numerator for basic and diluted net income per share – net income	\$ 211,592	\$ 220,029
Denominator:		
Denominator for basic net income per share – weighted-average common shares	192,887	191,896
Effect of dilutive equity awards	692	914
Denominator for diluted net income per share – adjusted weighted-average common shares	<u>193,579</u>	<u>192,810</u>
Basic net income per share	<u>\$ 1.10</u>	<u>\$ 1.15</u>
Diluted net income per share	<u>\$ 1.09</u>	<u>\$ 1.14</u>
Shares excluded from diluted net income per share calculation:		
Anti-dilutive equity awards	<u>764</u>	<u>316</u>

4. Segment Information and Geographic Data

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

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.

As indicated in Note 1 to the condensed consolidated financial statements, in the first quarter of fiscal 2022 the methodology used to allocate certain selling, general, and administrative expenses to the segments was refined to allocate these expenses in a more direct manner to provide the Company's CODM with a more meaningful representation of segment profit or loss. The Company's composition of operating segments and reportable segments did not change. Results for the 13-week period ended March 27, 2021 have been recast below to conform with the current period presentation.

Net sales ("revenue"), gross profit, and operating income for each of the Company's five reported segments are presented below, along with supplemental financial information for the auto OEM and consumer auto operating segments that management believes is useful.

	Fitness	Outdoor	Aviation	Marine	Auto			Total
					Total Auto	Consumer Auto	Auto OEM	
13-Weeks Ended March 26, 2022								
Net sales	\$ 220,896	\$ 384,604	\$ 174,766	\$ 254,069	\$ 138,327	\$ 65,130	\$ 73,197	\$ 1,172,662
Gross profit	106,189	247,495	127,543	128,581	52,671	30,960	21,711	662,479
Operating income (loss)	580	148,979	40,127	58,882	(20,012)	3,831	(23,843)	228,556
13-Weeks Ended March 27, 2021								
Net sales	\$ 308,125	\$ 256,455	\$ 173,889	\$ 209,372	\$ 124,486	\$ 62,395	\$ 62,091	\$ 1,072,327
Gross profit	173,545	171,676	126,182	121,379	48,774	31,964	16,810	641,556
Operating income (loss)	70,682	92,011	45,014	62,906	(20,954)	9,038	(29,992)	249,659

Net sales to external customers by geographic region were as follows for the 13-week periods ended March 26, 2022 and March 27, 2021. Note that APAC includes Asia Pacific and Australian Continent and EMEA includes Europe, the Middle East and Africa:

	13-Weeks Ended	
	March 26, 2022	March 27, 2021
Americas	\$ 570,634	\$ 503,691
EMEA	397,477	399,508
APAC	204,551	169,128
Net sales to external customers	<u>\$ 1,172,662</u>	<u>\$ 1,072,327</u>

5. Warranty Reserves

The Company's standard warranty obligation to its end-users provides for a period of one to two years from the date of shipment, while certain auto, aviation, and marine 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, and are recorded as a liability on the balance sheet. The following reconciliation provides an illustration of changes in the aggregate warranty reserve.

	13-Weeks Ended	
	March 26, 2022	March 27, 2021
Balance - beginning of period	\$ 45,467	\$ 42,643
Accrual for products sold ⁽¹⁾	10,871	11,456
Expenditures	(15,640)	(14,811)
Balance - end of period	<u>\$ 40,698</u>	<u>\$ 39,288</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' line.

6. Commitments and Contingencies

Commitments

The Company is party to certain commitments that require the future purchase of goods or services (“unconditional purchase obligations”). The Company’s unconditional purchase obligations primarily consist of payments for inventory, capital expenditures, and other indirect purchases in connection with conducting the business. The aggregate amount of purchase orders and other commitments open as of March 26, 2022 that may represent noncancellable unconditional purchase obligations having a remaining term in excess of one year was approximately \$357,000.

Certain cash balances are held as collateral in relation to bank guarantees. This restricted cash is reported within other assets on the condensed consolidated balance sheets and totaled \$785 and \$785 on March 26, 2022 and December 25, 2021, respectively. The total of the cash and cash equivalents balance and the restricted cash reported within other assets in the condensed consolidated balance sheets equals the total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows.

Contingencies

Management of the Company currently does not believe it is reasonably possible that the Company may have incurred a material loss, or a material loss in excess of recorded accruals, with respect to loss contingencies in the aggregate, for the fiscal quarter ended March 26, 2022. 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 matters during the 13-week period ended March 26, 2022 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.

7. Income Taxes

The Company recorded income tax expense of \$24,272 in the 13-week period ended March 26, 2022, compared to income tax expense of \$30,485 in the 13-week period ended March 27, 2021. The effective tax rate was 10.3% in the first quarter of 2022, compared to 12.2% in the first quarter of 2021. The decrease was primarily due to an increase in U.S. tax deductions and credits in the first quarter of 2022 compared to the first quarter of 2021.

8. Marketable Securities

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

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

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

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

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

Available-For-Sale Securities as of March 26, 2022					
	Fair Value Level	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Agency securities	Level 2	7,000	—	(487)	6,513
Mortgage-backed securities	Level 2	170,419	—	(2,264)	168,155
Corporate securities	Level 2	1,124,686	947	(47,717)	1,077,916
Municipal securities	Level 2	352,245	199	(19,731)	332,713
Other	Level 2	30,675	—	(2,235)	28,440
Total		\$ 1,685,025	\$ 1,146	\$ (72,434)	\$ 1,613,737

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

The Company's investment policy targets low risk investments with the objective of minimizing the potential risk of principal loss. The fair value of securities varies from period to period due to changes in interest rates, the performance of the underlying collateral, and the credit performance of the underlying issuer, among other factors.

Accrued interest receivable, which totaled \$10,510 as of March 26, 2022, is excluded from both the fair value and amortized cost basis of available-for-sale securities and is included within prepaid expenses and other current assets on the Company's condensed consolidated balance sheets. The Company writes off impaired accrued interest on a timely basis, generally within 30 days of the due date, by reversing interest income. No accrued interest was written off during the 13-week period ended March 26, 2022.

The Company recognizes impairments relating to credit losses of available-for-sale securities through an allowance for credit losses and other income on the Company's condensed consolidated statements of income. Impairment not relating to credit losses is recorded in other comprehensive income on the Company's condensed consolidated balance sheets. The cost of securities sold is based on the specific identification method. Approximately 80% of securities in the Company's portfolio were at an unrealized loss position as of March 26, 2022.

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 March 26, 2022 and December 25, 2021.

	As of March 26, 2022					
	Less than 12 Consecutive Months		12 Consecutive Months or Longer		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Agency securities	(487)	6,513	—	—	(487)	6,513
Mortgage-backed securities	(1,757)	52,201	(507)	7,476	(2,264)	59,677
Corporate securities	(32,386)	669,654	(15,331)	192,402	(47,717)	862,056
Municipal securities	(13,953)	231,353	(5,778)	68,672	(19,731)	300,025
Other	(1,293)	20,230	(942)	6,480	(2,235)	26,710
Total	\$ (49,876)	\$ 979,951	\$ (22,558)	\$ 275,030	\$ (72,434)	\$ 1,254,981

As of December 25, 2021

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

As of March 26, 2022 and December 25, 2021, the Company had not recognized an allowance for credit losses on any securities in an unrealized loss position.

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

The amortized cost and fair value of marketable securities at March 26, 2022, by maturity, are shown below.

	Amortized Cost	Fair Value
Due in one year or less	\$ 375,211	\$ 375,237
Due after one year through five years	1,275,626	1,206,941
Due after five years through ten years	31,106	29,025
Due after ten years	3,082	2,534
	\$ 1,685,025	\$ 1,613,737

9. Accumulated Other Comprehensive Income

The following provides required disclosure of changes in accumulated other comprehensive income (AOCI) balances by component for the 13-week period ended March 26, 2022:

	13-Weeks Ended March 26, 2022		
	Foreign currency translation adjustment	Net gains (losses) on available-for-sale securities	Total
Balance - beginning of period	\$ 123,415	\$ (5,580)	\$ 117,835
Other comprehensive income before reclassification, net of income tax benefit of \$14,700	(56,912)	(50,010)	(106,922)
Amounts reclassified from Accumulated other comprehensive income to Other income, net of income tax expense of \$1 included in Income tax provision	—	(2)	(2)
Net current-period other comprehensive income	(56,912)	(50,012)	(106,924)
Balance - end of period	\$ 66,503	\$ (55,592)	\$ 10,911

10. Revenue

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

Disaggregated revenue by geographic region (Americas, APAC, and EMEA) is presented in Note 4 – Segment Information and Geographic Data. Note 4 also contains disaggregated revenue information of the six major product categories identified by the Company – fitness, outdoor, aviation, marine, consumer auto, and auto OEM.

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

	13-Weeks Ended	
	March 26, 2022	March 27, 2021
Point in time	\$ 1,114,200	\$ 1,022,777
Over time	58,462	49,550
Net sales	<u>\$ 1,172,662</u>	<u>\$ 1,072,327</u>

Transaction price and costs associated with the Company's unsatisfied performance obligations are reflected as deferred revenue and deferred costs, respectively, on the Company's condensed 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 13-week period ended March 26, 2022 are presented below:

	13-Weeks Ended	
	March 26, 2022	
	Deferred Revenue ⁽¹⁾	Deferred Costs ⁽²⁾
Balance, beginning of period	\$ 129,272	\$ 28,322
Deferrals in period	54,695	3,527
Recognition of deferrals in period	(58,462)	(5,450)
Balance, end of period	<u>\$ 125,505</u>	<u>\$ 26,399</u>

- (1) Deferred revenue is comprised of both deferred revenue and noncurrent deferred revenue per the condensed consolidated balance sheets
- (2) Deferred costs are comprised of both deferred costs and noncurrent deferred costs per the condensed consolidated balance sheets

Of the \$58,462 of deferred revenue recognized in the 13-week period ended March 26, 2022, \$28,412 was deferred as of the beginning of the period. Approximately seventy-five percent of the \$125,505 of deferred revenue at the end of the period, March 26, 2022, is recognized ratably over a period of three years or less.

11. Subsequent Events

On April 22, 2022, the Board of Directors authorized the Company to repurchase up to \$300 million of the Company's shares through December 29, 2023. The timing and volume of any share repurchases under this authorization will be determined by management at its discretion. Share repurchases, which are subject to market conditions, other business conditions and applicable legal requirements, may be made from time to time in the open market or in privately negotiated transactions, including under plans complying with the provisions of Rule 10b5-1 and Rule 10b-18 of the Securities Exchange Act of 1934, as amended.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion set forth below, as well as other portions of this Quarterly Report, contain statements concerning potential future events. Such forward-looking statements are based upon assumptions by management, as of the date of this Quarterly Report, including assumptions about risks and uncertainties faced by the Company. Readers can identify these forward-looking statements by their use of such verbs as expects, anticipates, believes or similar verbs or conjugations of such verbs. If any of the Company's assumptions prove incorrect or should unanticipated circumstances arise, actual results could materially differ from those anticipated by such forward-looking statements. The differences could be caused by a number of factors or combination of factors including, but not limited to, those factors identified in Part II, Item 1A of this Quarterly Report on Form 10-Q and in the Company's Annual Report on Form 10-K for the year ended December 25, 2021. This report has been filed with the Securities and Exchange Commission (the "SEC" or the "Commission") in Washington, D.C. and can be obtained by contacting the SEC's public reference operations or obtaining it through the SEC's website at <http://www.sec.gov>. Readers are strongly encouraged to consider those factors when evaluating any forward-looking statement concerning the Company. The Company will not update any forward-looking statements in this Quarterly Report to reflect future events or developments.

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto included in this Form 10-Q and the audited financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 25, 2021. Unless the context otherwise requires, references in this document to "we", "us", "our" and similar terms refer to Garmin Ltd. and its subsidiaries.

Unless otherwise indicated, amounts set forth in the discussion below are in thousands.

Company Overview

The Company is a leading worldwide provider of wireless devices, many of which feature Global Positioning System (GPS) navigation, and applications that are designed for people who live an active lifestyle. We are organized in the six operating segments of fitness, outdoor, aviation, marine, consumer auto, and auto OEM. The operating segments offer products through our network of subsidiary distributors and independent dealers and distributors, our own webshop, as well as through various auto, aviation, and marine original equipment manufacturers (OEMs). Each of the operating segments is managed separately.

Business Environment Update

Persisting headwinds related to the COVID-19 pandemic, along with Russia's invasion of Ukraine, have created disruption, uncertainty, and inflationary pressure in the global economy that have affected our business, suppliers, and customers. Our global supply chain is routinely subject to component shortages, increased lead times, cost fluctuations, and logistics constraints. These factors have been further amplified by the current environment, and we expect these supply chain challenges to continue through at least the end of calendar year 2022.

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

Results of Operations

As indicated in Note 1 to the condensed consolidated financial statements, in the first quarter of fiscal 2022 the Company refined the methodology used in classifying certain indirect costs as research and development expense, which we believe provides a more meaningful representation of costs incurred to support research and development activities.

Additionally, as indicated in Note 1 and Note 4 to the condensed consolidated financial statements, in the first quarter of fiscal 2022 the methodology used to allocate certain selling, general, and administrative expenses to the segments was refined to allocate these expenses in a more direct manner to provide the Company's CODM with a more meaningful representation of segment profit or loss. The Company's composition of operating segments and reportable segments did not change.

These changes in classification and allocation had no effect on the Company's consolidated operating or net income. The amounts presented below for selling, general, and administrative expense, research and development expense, segment operating expense, and segment operating income for the 13-week period ended March 27, 2021 have been recast to conform with the current period presentation.

Comparison of 13-Weeks ended March 26, 2022 and March 27, 2021

Net Sales

Net Sales	13-Weeks Ended March 26, 2022	Year-over- Year Change	13-Weeks Ended March 27, 2021
Fitness	\$ 220,896	(28%)	\$ 308,125
<i>Percentage of Total Net Sales</i>	19%		29%
Outdoor	384,604	50%	256,455
<i>Percentage of Total Net Sales</i>	33%		24%
Aviation	174,766	1%	173,889
<i>Percentage of Total Net Sales</i>	15%		16%
Marine	254,069	21%	209,372
<i>Percentage of Total Net Sales</i>	21%		19%
Auto	138,327	11%	124,486
<i>Percentage of Total Net Sales</i>	12%		12%
Consumer Auto	65,130	4%	62,395
<i>Percentage of Total Net Sales</i>	6%		6%
Auto OEM	73,197	18%	62,091
<i>Percentage of Total Net Sales</i>	6%		6%
Total	\$ 1,172,662	9%	\$ 1,072,327

Net sales increased 9% for the 13-week period ended March 26, 2022 when compared to the year-ago quarter. Total unit sales in the first quarter of 2022 decreased to 3,438 when compared to total unit sales of 3,463 in the first quarter of 2021, which differs from the increase in revenue primarily due to shifts in segment and product mix. Outdoor was the largest portion of our revenue mix at 33% in the first quarter of 2022 compared to fitness at 29% in the first quarter of 2021.

The increase in outdoor revenue was primarily driven by strong demand for our adventure watches. Aviation revenue increased primarily due to growth in the OEM product category. Marine revenue increased due to growth across multiple product categories, led by strong demand for our chartplotters. The increase in auto revenue was due to sales growth in both consumer auto and auto OEM products. Fitness revenue decreased due to declines across all product categories, driven primarily by the normalization of demand for cycling products compared to the year-ago quarter, which had benefited from a pandemic-driven shift in consumer behavior.

Gross Profit

Gross Profit	13-Weeks Ended March 26, 2022	Year-over- Year Change	13-Weeks Ended March 27, 2021
Fitness	\$ 106,189	(39%)	\$ 173,545
<i>Percentage of Segment Net Sales</i>	48%		56%
Outdoor	247,495	44%	171,676
<i>Percentage of Segment Net Sales</i>	64%		67%
Aviation	127,543	1%	126,182
<i>Percentage of Segment Net Sales</i>	73%		73%
Marine	128,581	6%	121,379
<i>Percentage of Segment Net Sales</i>	51%		58%
Auto	52,671	8%	48,774
<i>Percentage of Segment Net Sales</i>	38%		39%
Consumer Auto	30,960	(3%)	31,964
<i>Percentage of Segment Net Sales</i>	48%		51%
Auto OEM	21,711	29%	16,810
<i>Percentage of Segment Net Sales</i>	30%		27%
Total	\$ 662,479	3%	\$ 641,556
Percentage of Total Net Sales	56%		60%

Gross profit dollars in the first quarter of 2022 increased 3%, primarily due to the increase in net sales compared to the year-ago quarter, as described above. Consolidated gross margin decreased 330 basis points when compared to the year-ago quarter, primarily due to higher freight costs and a stronger U.S. Dollar that created downward pressure on revenues denominated in currencies that were weaker against the U.S. Dollar.

The fitness, outdoor, marine, and consumer auto gross margins were adversely impacted by higher freight costs and a stronger U.S. Dollar. In the outdoor segment, these impacts were partially offset by a favorable product mix. The auto OEM gross margin increase was primarily attributable to a more favorable product mix.

Operating Expense

	13-Weeks Ended March 26, 2022	Year-over-Year Change	13-Weeks Ended March 27, 2021
Operating Expense			
Fitness	\$ 105,609	3%	\$ 102,863
Percentage of Segment Net Sales	48%		33%
Outdoor	98,516	24%	79,665
Percentage of Segment Net Sales	26%		31%
Aviation	87,416	8%	81,168
Percentage of Segment Net Sales	50%		47%
Marine	69,699	19%	58,473
Percentage of Segment Net Sales	27%		28%
Auto	72,683	4%	69,728
Percentage of Segment Net Sales	53%		56%
Consumer Auto	27,129	18%	22,926
Percentage of Segment Net Sales	42%		37%
Auto OEM	45,554	(3%)	46,802
Percentage of Segment Net Sales	62%		75%
Total	\$ 433,923	11%	\$ 391,897
Percentage of Total Net Sales	37%		37%

Total operating expense was relatively flat as a percent of revenue and increased 11% in absolute dollars compared to the year-ago quarter.

Advertising expense as a percent of revenue was relatively flat when compared to the year-ago quarter and increased 10% in absolute dollars. The absolute dollar increase was primarily attributable to increased spend on tradeshows.

Selling, general and administrative expense was relatively flat as a percent of revenue and increased 11% in absolute dollars compared to the year-ago quarter. The absolute dollar increase in the first quarter of 2022 was primarily attributable to increased personnel related expenses and information technology costs. Absolute dollar increases in outdoor and auto OEM were more than offset by the corresponding increases in sales, resulting in decreases as percent of revenue of 280 and 180 basis points, respectively. Absolute dollar increases in aviation and consumer auto were greater than the corresponding increases in sales, resulting in increases as a percent of revenue of 160 and 100 basis points, respectively. An absolute dollar decrease in fitness was less than the corresponding decrease in sales, resulting in an increase of 670 basis points as a percent of revenue. Marine expense generally increased in line with the increase in sales.

Research and development expense was relatively flat as a percent of revenue when compared to the year-ago quarter and increased 11% in absolute dollars. The absolute dollar increase was primarily due to higher engineering personnel costs. An absolute dollar increase in outdoor was more than offset by the increase in outdoor sales, resulting in a decrease as percent of revenue of 220 basis points. Absolute dollar increases in fitness, aviation, and consumer auto were greater than the corresponding increases in sales, resulting in increases as a percent of revenue of 680, 170, and 280 basis points, respectively. Auto OEM expense was relatively flat in absolute dollars and decreased 1,150 basis points as a percent of revenue as revenue grew over the year-ago quarter. Marine expense generally increased in line with the increase in sales.

Operating Income

	13-Weeks Ended March 26, 2022	Year-over-Year Change	13-Weeks Ended March 27, 2021
Operating Income (Loss)			
Fitness	\$ 580	(99%)	\$ 70,682
Percentage of Segment Net Sales	0%		23%
Outdoor	148,979	62%	92,011
Percentage of Segment Net Sales	39%		36%
Aviation	40,127	(11%)	45,014
Percentage of Segment Net Sales	23%		26%
Marine	58,882	(6%)	62,906
Percentage of Segment Net Sales	23%		30%
Auto	(20,012)	(4%)	(20,954)
Percentage of Segment Net Sales	(14%)		(17%)
Consumer Auto	3,831	(58%)	9,038
Percentage of Segment Net Sales	6%		14%
Auto OEM	(23,843)	(21%)	(29,992)
Percentage of Segment Net Sales	(33%)		(48%)
Total	\$ 228,556	(8%)	\$ 249,659
Percentage of Total Net Sales	19%		23%

Operating income decreased 8% in absolute dollars and decreased 380 basis points as a percent of revenue when compared to the year-ago quarter. This decrease was due to lower gross margin and relatively flat expenses as a percent of revenue, as described above. Auto OEM experienced an operating loss in the current quarter, and we expect this trend to continue through 2022 as we continue to invest in certain auto OEM programs.

Other Income (Expense)

Other Income (Expense)	13-Weeks Ended March 26, 2022	13-Weeks Ended March 27, 2021
Interest income	\$ 7,553	\$ 7,652
Foreign currency losses	(3,506)	(8,281)
Other income	3,261	1,484
Total	\$ 7,308	\$ 855

The average interest rate returns on cash and investments during the first quarter of 2022 was 1.0%, consistent with 1.0% during the same quarter of 2021.

Foreign currency gains and losses for the Company are typically driven by movements of a number of currencies in relation to the U.S. Dollar. The Taiwan Dollar is the functional currency of Garmin Corporation, the Euro is the functional currency of several subsidiaries, and the U.S. Dollar is the functional currency of Garmin (Europe) Ltd., although some transactions and balances are denominated in British Pounds. Other notable currency exposures include the Australian Dollar, Japanese Yen, Polish Zloty, and Swiss Franc. The majority of the Company's consolidated foreign currency gain or loss is typically driven by the significant cash and marketable securities, receivables and payables held in a currency other than the functional currency at a given legal entity.

The \$3.5 million currency loss recognized in the first quarter of 2022 was primarily due to the U.S. Dollar strengthening against the Polish Zloty, Euro, and Japanese Yen, partially offset by the U.S. Dollar strengthening against the Taiwan Dollar, within the 13-week period ended March 26, 2022. During this period, the U.S. Dollar strengthened 5.7% against the Polish Zloty, 3.0% against the Euro, and 6.2% against the Japanese Yen, resulting in losses of \$6.0 million, \$5.1 million, and \$1.6 million, respectively, while the U.S. Dollar strengthened 3.5% against the Taiwan Dollar, resulting in a gain of \$8.2 million. The remaining net currency gain of \$1.0 million was related to the impacts of other currencies, each of which was individually immaterial.

The \$8.3 million currency loss recognized in the first quarter of 2021 was primarily due to the U.S. Dollar strengthening against the Euro and Japanese Yen, partially offset by the U.S. Dollar strengthening against the Taiwan Dollar and weakening against the British Pound, within the 13-week period ended March 27, 2021. During this period, the U.S. Dollar strengthened 3.3% against the Euro and 5.6% against the Japanese Yen, resulting in losses of \$11.0 million and \$1.4 million, respectively, while the U.S. Dollar strengthened 1.7% against the Taiwan Dollar and weakened 1.8% against the British Pound, resulting in gains of \$4.7 million and \$1.3 million, respectively. The remaining net currency loss of \$1.9 million was related to the impacts of other currencies, each of which was individually immaterial.

Income Tax Provision

The Company recorded income tax expense of \$24.3 million in the 13-week period ended March 26, 2022, compared to income tax expense of \$30.5 million in the 13-week period ended March 27, 2021. The effective tax rate was 10.3% in the first quarter of 2022, compared to 12.2% in the first quarter of 2021. The decrease was primarily due to an increase in U.S. tax deductions and credits in the 13-week period ended March 26, 2022 compared to the year-ago quarter.

Net Income

As a result of the above, net income for the 13-week period ended March 26, 2022 was \$211.6 million compared to \$220.0 million for the 13-week period ended March 27, 2021, a decrease of \$8.4 million.

Liquidity and Capital Resources

As of March 26, 2022, we had approximately \$3.0 billion of cash, cash equivalents and marketable securities. We primarily use cash flow from operations, and expect that future cash requirements may be used, to fund our capital expenditures, support our working capital requirements, pay dividends, fund share repurchases, and fund strategic acquisitions. We believe that our existing cash balances and cash flow from operations will be sufficient to meet our short- and long-term projected working capital needs, capital expenditures, and other cash requirements.

It is management's goal to invest the on-hand cash in accordance with the investment policy, which has been approved by the Company's Board of Directors. The investment policy's primary purpose is to preserve capital, maintain an acceptable degree of liquidity, and maximize yield within the constraint of low credit risk. Garmin's average interest rate returns on cash and investments during the first quarters of 2022 and 2021 were approximately 1.0% and 1.0%, respectively. The fair value of our securities varies from period to period due to changes in interest rates, in the performance of the underlying collateral, and in the credit performance of the underlying issuer, among other factors. See Note 8 for additional information regarding marketable securities.

Cash Flows

Cash provided by operating activities totaled \$185.6 million for the first quarter of 2022, compared to \$368.4 million for the first quarter of 2021. The decrease was primarily due to higher purchases of inventory associated with the Company's strategy to increase days of supply to support our increasingly diversified product lines, and a decrease in collections of accounts receivable when compared to the year-ago quarter.

Cash used in investing activities totaled \$135.9 million in the first quarter of 2022, compared to \$104.1 million for the first quarter of 2021. The increase was primarily due to higher capital expenditures as the Company invested more heavily in platforms for growth.

Cash used in financing activities totaled \$123.3 million for the first quarter of 2022, compared to \$116.3 million for the first quarter of 2021. This increase was primarily due to higher cash dividend payments in the first quarter of 2022, as our declared dividend increased from \$0.61 per share for the four calendar quarters beginning in June 2020 to \$0.67 per share for the four calendar quarters beginning in June 2021.

Use of Cash

Operating Leases

The Company has lease arrangements for certain real estate properties, vehicles, and equipment. Leased properties are typically used for office space, distribution, and retail. As of March 26, 2022, the Company had fixed lease payment obligations of \$116.0 million, with \$24.8 million payable within 12 months.

Inventory Purchase Obligations

The Company obtains various raw materials and components for its products from a variety of third party suppliers. The Company's inventory purchase obligations are primarily noncancelable. As of March 26, 2022, the Company had inventory purchase obligations of \$1,212.8 million, with \$941.7 million payable within 12 months.

Other Purchase Obligations

The Company's other purchase obligations primarily consist of noncancelable commitments for capital expenditures and other indirect purchases in connection with conducting our business. As of March 26, 2022, the Company had other purchase obligations of \$549.4 million, with \$348.8 million payable within 12 months.

Critical Accounting Policies and Estimates

General

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

For a description of the significant accounting policies and methods used in the preparation of the Company's condensed consolidated financial statements, refer to Note 2, "Summary of Significant Accounting Policies" in the Notes to the Consolidated Financial Statements in Part II, Item 8 and "Critical Accounting Policies and Estimates" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 2021. There were no significant changes to the Company's critical accounting policies and estimates in the 13-week period ended March 26, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There are numerous market risks that can affect our future business, financial condition and results of operations. In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended December 25, 2021. There have been no material changes during the 13-week period ended March 26, 2022 in the risks described in our Annual Report on Form 10-K related to market sensitivity, inflation, foreign currency exchange rate risk and interest rate risk.

Item 4. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* The Company maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that information, which is required to be timely disclosed, is accumulated and communicated to management in a timely fashion. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. As of March 26, 2022, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded as of March 26, 2022 that our disclosure controls and procedures were effective such that the information relating to the Company, required to be disclosed in our Securities and Exchange Commission ("SEC") reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Changes in internal control over financial reporting.* There has been no change in the Company's internal controls over financial reporting that occurred during the Company's fiscal quarter ended March 26, 2022 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

In the normal course of business, the Company and its subsidiaries are parties to various legal claims, actions, and complaints, including matters involving patent infringement, other intellectual property, product liability, customer claims and various other risks. It is not possible to predict with certainty whether or not the Company and its subsidiaries will ultimately be successful in any of these legal matters, or if not, what the impact might be. However, the Company's management does not expect that the results in any of these legal proceedings will have a material adverse effect on the Company's results of operations, financial position or cash flows. For additional information, see Note 6 – Commitments and Contingencies in the above Condensed Consolidated Financial Statements and Part I, Item 3, "Legal Proceedings" in the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 2021.

Item 1A. Risk Factors

There are many risks and uncertainties that can affect our future business, financial performance or share price. In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 25, 2021. There have been no material changes during the 13-week period ended March 26, 2022 in the risks described in our Annual Report on Form 10-K. These risks, however, are not the only risks facing our Company. Additional risks and uncertainties, including those not currently known to us or that we currently deem to be immaterial, also may materially adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

- Exhibit 10.1 [Garmin Ltd. 2005 Equity Incentive Plan, as amended and restated on April 22, 2022.](#)
- Exhibit 31.1 [Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14\(a\) or 15d-14\(a\).](#)
- Exhibit 31.2 [Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14\(a\) or 15d-14\(a\).](#)
- Exhibit 32.1 [Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- Exhibit 32.2 [Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- Exhibit 101.INS XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- Exhibit 101.SCH Inline XBRL Taxonomy Extension Schema
- Exhibit 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase
- Exhibit 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase
- Exhibit 101.LAB Inline XBRL Taxonomy Extension Label Linkbase
- Exhibit 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase
- Exhibit 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GARMIN LTD.

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

Dated: April 27, 2022

GARMIN LTD. 2005 Equity Incentive Plan

as amended and restated on April 22, 2022

Article 1. Establishment, Objectives and Duration

- 1.1 Establishment and Amendment of the Plan. The Board of Directors (the “Board”) of Garmin Ltd., a Swiss company (the “Company”), hereby establishes the incentive compensation plan to be known as the Garmin Ltd. 2005 Equity Incentive Plan (the “Plan”). The Plan was adopted by the Board of Directors of Garmin Ltd., a Cayman Islands company (“Garmin Cayman”), on March 1, 2005 and was approved by the shareholders of Garmin Cayman on June 3, 2005. The Plan is effective as of June 3, 2005 (the “Effective Date”). In 2006, Garmin Cayman effected a two-for-one stock split of its common Shares (the “Stock Split”). Subject to approval of the shareholders of Garmin Cayman, the Board of Directors of Garmin Cayman adopted an amended and restated plan effective June 5, 2009 with certain amendments reflecting the Stock Split, updated changes in the law and an expanded type of performance-based awards eligible to be granted under the Plan. The Plan was amended and restated on June 27, 2010 following the redomestication transaction on June 27, 2010 pursuant to which the shares of Garmin Cayman were exchanged for shares of the Company and the Company became the public holding company of Garmin Cayman and its subsidiaries. The Plan was amended and restated again on June 7, 2013, on October 21, 2016, on June 7, 2019 and on April 22, 2022.
- 1.2 Objectives of the Plan. The Plan is intended to allow employees of the Company and its Subsidiaries to acquire or increase equity ownership in the Company, or to be compensated under the Plan based on growth in the Company’s equity value, thereby strengthening their commitment to the success of the Company and stimulating their efforts on behalf of the Company, and to assist the Company and its Subsidiaries in attracting new employees and retaining existing employees. The Plan is also intended to optimize the profitability and growth of the Company through incentives which are consistent with the Company’s goals; to provide incentives for excellence in individual performance; and to promote teamwork.
- 1.3 Duration of the Plan. The Plan shall commence on the Effective Date and shall remain in effect, subject to the right of the Board to amend or terminate the Plan at any time pursuant to Article 13 hereof, until all Shares subject to it shall have been purchased or acquired according to the Plan’s provisions.

Article 2. Definitions

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

- 2.1 “Article” means an Article of the Plan.
- 2.2 “Award” means Options, Restricted Shares, Bonus Shares, SARs, Restricted Stock Units, Performance Units or Performance Shares granted under the Plan.
- 2.3 “Award Agreement” means a written agreement by which an Award is evidenced.
- 2.4 “Beneficial Owner” has the meaning specified in Rule 13d-3 of the SEC under the Exchange Act.
- 2.5 “Board” means the Board of Directors of the Company.
- 2.6 “Bonus Shares” means Shares that are awarded to a Grantee without cost and without restrictions in recognition of past performance (whether determined by reference to another employee benefit plan of the Company or otherwise) or as an incentive to become an employee of the Company or a Subsidiary.
- 2.7 “Cause” means, unless otherwise defined in an Award Agreement,
 - (a) a Grantee’s conviction of, plea of guilty to, or plea of nolo contendere to a felony or other crime that involves fraud, dishonesty or moral turpitude,
 - (b) any willful action or omission by a Grantee which would constitute grounds for immediate dismissal under the employment policies of the Company or the Subsidiary by which Grantee is employed, including but not limited to intoxication with alcohol or illegal drugs while on the premises of the Company or any Subsidiary, or violation of sexual harassment laws or the internal sexual harassment policy of the Company or the Subsidiary by which Grantee is employed, irrespective of whether the applicable law would allow an immediate dismissal in these cases,

- (c) a Grantee's habitual neglect of duties, including but not limited to repeated absences from work without reasonable excuse, or
- (d) a Grantee's willful and intentional material misconduct in the performance of his duties that results in financial detriment to the Company or any Subsidiary;

provided, however, that for purposes of clauses (b), (c) and (d), Cause shall not include any one or more of the following: bad judgment, negligence or any act or omission believed by the Grantee in good faith to have been in or not opposed to the interest of the Company (without intent of the Grantee to gain, directly or indirectly, a profit to which the Grantee was not legally entitled). A Grantee who agrees to resign from his affiliation with the Company or a Subsidiary in lieu of being terminated for Cause may be deemed to have been terminated for Cause for purposes of the Plan.

2.8 "Change of Control" means, unless otherwise defined in an Award Agreement, any one or more of the following:

- (a) any Person other than (i) a Subsidiary, (ii) any employee benefit plan (or any related trust) of the Company or any of its Subsidiaries or (iii) any Excluded Person, becomes the Beneficial Owner of 35% or more of the shares of the Company representing 35% or more of the combined voting power of the Company (such a person or group, a "35% Owner"), except that (i) no Change of Control shall be deemed to have occurred solely by reason of such beneficial ownership by a corporation with respect to which both more than 60% of the common shares of such corporation and Voting Securities representing more than 60% of the aggregate voting power of such corporation are then owned, directly or indirectly, by the persons who were the direct or indirect owners of the shares of the Company immediately before such acquisition in substantially the same proportions as their ownership, immediately before such acquisition, of the shares of the Company, as the case may be and (ii) such corporation shall not be deemed a 35% Owner; or
- (b) the Incumbent Directors (determined using the Effective Date as the baseline date) cease for any reason to constitute at least a majority of the directors of the Company then serving; or
- (c) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of a merger, reorganization, consolidation, or similar transaction, or the sale or other disposition of all or substantially all (at least 40%) of the consolidated assets of the Company or a resolution of dissolution of the Company (any of the foregoing transactions, a "Reorganization Transaction") which is not an Exempt Reorganization Transaction.

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

2.9 "Change of Control Period" has the meaning set forth in Section 5.6(c).

2.10 "Change of Control Value" means the Fair Market Value of a Share on the date of a Change of Control.

2.11 "Code" means the Internal Revenue Code of 1986, as amended from time to time, and regulations and rulings thereunder. References to a particular section of the Code include references to successor provisions of the Code or any successor statute.

2.2 "Company" has the meaning set forth in Section 1.1.

2.13 "Disabled" or "Disability" means an individual (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than 3 months under a Company-sponsored accident and health plan. Notwithstanding the foregoing, with respect to an Incentive Stock Option, "Disability" means a permanent and total disability, within the meaning of Code Section 22(e)(3), as determined by the Board in good faith, upon receipt of medical advice from one or more individuals, selected by the Board, who are qualified to give professional medical advice.

2.14 "Effective Date" has the meaning set forth in Section 1.1.

- 2.15 “Eligible Person” means any employee (including any officer) of the Company or any Subsidiary, including any such employee who is on an approved leave of absence or has been subject to a disability which does not qualify as a Disability.
- 2.16 “Exchange Act” means the Securities Exchange Act of 1934, as amended. References to a particular section of the Exchange Act include references to successor provisions.
- 2.17 “Excluded Person” means any Person who, along with such Person’s Affiliates and Associates (as such terms are defined in Rule 12b-2 of the General Rules and Regulations under the Exchange Act) is the Beneficial Owner of 15% or more of the Shares outstanding as of the Effective Date.
- 2.18 “Exempt Reorganization Transaction” means a Reorganization Transaction which (i) results in the Persons who were the direct or indirect owners of the outstanding shares of the Company immediately before such Reorganization Transaction becoming, immediately after the consummation of such Reorganization Transaction, the direct or indirect owners of both more than 60% of the then-outstanding common shares of the Surviving Corporation and Voting Securities representing more than 60% of the aggregate voting power of the Surviving Corporation, in substantially the same respective proportions as such Persons’ ownership of the shares of the Company immediately before such Reorganization Transaction, or (ii) after such transaction, more than 50% of the members of the board of directors of the Surviving Corporation were Incumbent Directors at the time of the Board’s approval of the agreement providing for the Reorganization Transaction or other action of the Board approving the transaction (or whose election or nomination was approved by a vote of at least two-thirds of the members who were members of the Board at that time).
- 2.19 “Fair Market Value” means, unless otherwise determined or provided by the Board in the circumstances, (A) with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Board, and (B) with respect to Shares, (i) the last sale price (also referred to as the closing price) of a Share on such U.S. securities exchange as the Shares are then traded, for the applicable date, (ii) if such U.S. securities exchange is closed for trading on such date, or if the Shares do not trade on such date, then the last sales price used shall be the one on the date the Shares last traded on such U.S. securities exchange, or (iii) in the event that there shall be no public market for the Shares, the fair market value of the Shares as determined in good faith by the Board using a method consistently applied. Notwithstanding the above, for all Options, SARs and Deferred Shares (RSUs) granted before June 5, 2009, Fair Market Value for purposes of establishing Option Prices, Exercise Prices or values of Shares, respectively, was established based on the average of the high and low trading prices on the New York Stock Exchange (or, if no sale of Shares was reported for such date, on the next preceding date on which a sale of Shares was reported).
- 2.20 “Freestanding SAR” means any SAR that is granted independently of any Option.
- 2.21 “Good Reason” means any action by the Company or the Subsidiary employing a Grantee which results in any of the following without the Grantee’s consent: (a) a material diminution or other material adverse change in the Grantee’s position, authority or duties, (b) requiring the Grantee to be based at any office or location more than 50 miles from the location where he or she was previously based; (c) a material diminution in the Grantee’s compensation in the aggregate, other than a diminution applicable to all similarly situated employees. A Grantee shall not have Good Reason to terminate his or her position unless, (1) within 60 days following the event or circumstance set forth above in (a), (b) or (c), the Grantee notifies the Company of such event or circumstance, (2) the Grantee gives the Company 30 days to correct the event or circumstance, and (3) the Company does not correct, in all material respects, such event or circumstance.
- 2.22 “Grant Date” has the meaning set forth in Section 5.2.
- 2.23 “Grantee” means an individual who has been granted an Award.
- 2.24 “Including” or “includes” mean “including, without limitation,” or “includes, without limitation”, respectively.
- 2.25 “Incumbent Directors” means, as of any specified baseline date, individuals then serving as members of the Board who were members of the Board as of the date immediately preceding such baseline date; *provided* that any subsequently-appointed or elected member of the Board whose election, or nomination for election by shareholders of the Company or the Surviving Corporation, as applicable, was approved by a vote or written consent of a majority of the directors then comprising the Incumbent Directors shall also thereafter be considered an Incumbent Director, unless the initial assumption of office of such subsequently-elected or appointed director was in connection with (i) an actual or threatened election contest, including a consent solicitation, relating to the election or removal of one or more members of the Board, (ii) a “tender offer” (as such term is used in Section 14(d) of the Exchange Act), or (iii) a proposed Reorganization Transaction.
- 2.26 “Option” means an option granted under Article 6 of the Plan, including an incentive stock option.
- 2.27 “Option Price” means the price at which a Share may be purchased by a Grantee pursuant to an Option.

- 2.28 “Option Term” means the period beginning on the Grant Date of an Option and ending on the expiration date of such Option, as specified in the Award Agreement for such Option and as may, consistent with the provisions of the Plan, be extended from time to time by the Board prior to the expiration date of such Option then in effect.
- 2.29 “Performance Period” has the meaning set forth in Section 10.2.
- 2.30 “Performance Share” or “Performance Unit” has the meaning set forth in Article 10.
- 2.31 “Period of Restriction” means the period during which the transfer of Restricted Shares is limited in some way (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Board) or the Shares are subject to a substantial risk of forfeiture, as provided in Article 8.
- 2.32 “Person” shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) thereof.
- 2.33 “Plan” has the meaning set forth in Section 1.1.
- 2.34 “Plan Committee” has the meaning set forth in Section 3.1.
- 2.35 “Reorganization Transaction” has the meaning set forth in Section 2.9(c).
- 2.36 “Restricted Shares” means Shares that are issued as an Award under the Plan that is subject to Restrictions.
- 2.37 “Restricted Stock Units” (f/k/a “Deferred Shares”) means units awarded to Grantees pursuant to Article 9 hereof, which are convertible into Shares at such time as such units are no longer subject to Restrictions as established by the Board. Restricted Stock Units are the same as “Deferred Shares” previously referred to and granted under the Plan prior to this Amended and Restated Plan becoming effective.
- 2.38 “Restriction” means any restriction on a Grantee’s free enjoyment of the Shares or other rights underlying Awards, including (a) that the Grantee or other holder may not sell, transfer, pledge, or assign a Share or right, and (b) such other restrictions as the Board may impose in the Award Agreement that are permissible under Swiss law. Restrictions may be based on the passage of time or the satisfaction of performance criteria or the occurrence of one or more events or conditions, and shall lapse separately or in combination upon such conditions and at such time or times, in installments or otherwise, as the Board shall specify. Awards subject to a Restriction shall be forfeited if the Restriction does not lapse prior to such date or the occurrence of such event or the satisfaction of such other criteria as the Board shall determine.
- 2.39 “Rule 16b-3” means Rule 16b-3 promulgated by the SEC under the Exchange Act, together with any successor rule, as in effect from time to time.
- 2.40 “SAR” means a stock appreciation right and includes both Tandem SARs and Freestanding SARs.
- 2.41 “SAR Term” means the period beginning on the Grant Date of a SAR and ending on the expiration date of such SAR, as specified in the Award Agreement for such SAR and as may, consistent with the provisions of the Plan, be extended from time to time by the Board prior to the expiration date of such SAR then in effect.
- 2.42 “SEC” means the United States Securities and Exchange Commission, or any successor thereto.
- 2.43 “Section” means, unless the context otherwise requires, a Section of the Plan.
- 2.44 “Section 16 Person” means a person who is subject to obligations under Section 16 of the Exchange Act with respect to transactions involving equity securities of the Company.
- 2.45 “Share” means a registered share, CHF 0.10 par value, of the Company.
- 2.46 “Subsidiary” means with respect to any Person (a) any corporation of which more than 50% of the Voting Securities are at the time, directly or indirectly, owned by such Person, and (b) any partnership or limited liability company in which such Person has a direct or indirect interest (whether in the form of voting power or participation in profits or capital contribution) of more than 50%. Solely with respect to a grant of an incentive stock option under the requirements of Section 422 of the Code, “Subsidiary” means a “subsidiary corporation” as defined in Section 424(f) of the Code.
- 2.47 “Substitute Option” has the meaning set forth in Section 6.3.
- 2.48 “Surviving Corporation” means the corporation resulting from a Reorganization Transaction or, if Voting Securities representing at least 50% of the aggregate voting power of such resulting corporation are directly or indirectly owned by another corporation, such other corporation.
- 2.49 “Tandem SAR” means a SAR that is granted in connection with, or related to, an Option, and which requires forfeiture of the right to purchase an equal number of Shares under the related Option upon the exercise of such SAR; or alternatively, which requires the cancellation of an equal amount of SARs upon the purchase of the Shares subject to the Option.

- 2.50 “Tax Withholding” has the meaning set forth in Section 14.1(a).
- 2.51 “Termination of Affiliation” occurs on the first day on which an individual is for any reason no longer providing services to the Company or any Subsidiary in the capacity of an employee, or with respect to an individual who is an employee of a Subsidiary, the first day on which such Subsidiary ceases to be a Subsidiary. A Termination of Affiliation shall have the same meaning as a “separation from service” under Code Section 409A(2)(A)(i).
- 2.52 “Voting Securities” of a corporation means securities of such corporation that are entitled to vote generally in the election of directors, but not including any other class of securities of such corporation that may have voting power by reason of the occurrence of a contingency.

Article 3. Administration

- 3.1 Board and Plan Committee. Subject to Article 13, and to Section 3.2, the Plan shall be administered by the Board, or a committee of the Board appointed by the Board to administer the Plan (“Plan Committee”). To the extent the Board considers it desirable for transactions relating to Awards to be eligible to qualify for an exemption under Rule 16b-3, the Plan Committee shall consist of two or more directors of the Company, all of whom qualify as “non-employee directors” within the meaning of Rule 16b-3.

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

- 3.2 Powers of the Board. Subject to the express provisions of the Plan, the Board has full and final authority and sole discretion as follows:
- (a) taking into consideration the reasonable recommendations of management, to determine when, to whom and in what types and amounts Awards should be granted and the terms and conditions applicable to each Award, including the Option Price, the Option Term, the Restrictions, the benefit payable under any SAR, Performance Unit or Performance Share and whether or not specific Awards shall be granted in connection with other specific Awards, and if so whether they shall be exercisable cumulatively with, or alternatively to, such other specific Awards;
 - (b) to determine the amount, if any, that a Grantee shall pay for Restricted Shares, whether and on what terms to permit or require the payment of cash dividends thereon to be deferred, when Restrictions on Restricted Shares (including Restricted Shares acquired upon the exercise of an Option) shall lapse and whether such shares shall be held in escrow;
 - (c) to construe and interpret the Plan and to make all determinations necessary or advisable for the administration of the Plan;
 - (d) to make, amend, and rescind rules relating to the Plan, including rules with respect to the exercisability and nonforfeitability of Awards and lapse of Restrictions upon the Termination of Affiliation of a Grantee;
 - (e) to determine the terms and conditions of all Award Agreements (which need not be identical) and, with the consent of the Grantee, to amend any such Award Agreement at any time, among other things, to permit transfers of such Awards to the extent permitted by the Plan; *provided* that the consent of the Grantee shall not be required for any amendment which (A) does not adversely affect the rights of the Grantee, or (B) is necessary or advisable (as determined by the Board) to carry out the purpose of the Award as a result of any new or change in existing applicable law;
 - (f) to cancel, with the consent of the Grantee, outstanding Awards and to grant new Awards in substitution therefor; *provided* that any replacement grant that would be considered a repricing shall be subject to shareholder approval;
 - (g) to accelerate the exercisability (including exercisability within a period of less than six months after the Grant Date) of, and to accelerate or waive any or all of the terms conditions or Restrictions applicable to, any Award or any group of Awards for any reason and at any time, including in connection with a Termination of Affiliation;
 - (h) subject to Section 5.3, to extend the time during which any Award or group of Awards may be exercised;
 - (i) to make such adjustments or modifications to Awards to Grantees who are working outside the United States as are advisable to fulfill the purposes of the Plan or to comply with applicable local law, and to authorize foreign Subsidiaries to adopt plans as provided in Article 15;

- (j) to delegate to any member of the Board or committee of Board members such of its powers as it deems appropriate, including the power to subdelegate, except that only a member of the Board of Directors of the Company (or a committee thereof) may grant Awards from time to time to specified categories of Eligible Persons in amounts and on terms to be specified by the Board; provided that no such grants shall be made other than by the Board or the Plan Committee to individuals who are then Section 16 Persons);
- (k) to delegate to officers, employees or independent contractors of the Company matters involving the routine administration of the Plan and which are not specifically required by any provision of the Plan to be performed by the Board of Directors of the Company;
- (l) to delegate its duties and responsibilities under the Plan with respect to foreign Subsidiary plans, except its duties and responsibilities with respect to Section 16 Persons, and (A) the acts of such delegates shall be treated hereunder as acts of the Board and (B) such delegates shall report to the Board regarding the delegated duties and responsibilities;
- (m) to correct any defect or supply any omission or reconcile any inconsistency, and construe and interpret the Plan, the rules and regulations, any Award Agreement or any other instrument entered into or relating to an Award under the Plan, and to make all determinations, including factual determinations, necessary or advisable for the administration of the Plan;
- (n) to impose such additional terms and conditions upon the grant, exercise or retention of Awards as the Board may, before or concurrently with the grant thereof, deem appropriate, including limiting the percentage of Awards which may from time to time be exercised by a Grantee; and
- (o) to take any other action with respect to any matters relating to the Plan for which it is responsible.

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

Article 4. Shares Subject to the Plan

4.1 Number of Shares Available.

- (a) *Plan Limit.* Subject to adjustment as provided in Section 4.2, the number of Shares hereby reserved for delivery under the Plan is thirteen million (13,000,000) Shares. The maximum number of Shares that may be delivered pursuant to the exercise of Options (including incentive stock options under Code Section 422) or SARs is ten million (10,000,000) Shares. The maximum number of Shares that may be delivered as Restricted Shares or pursuant to Performance Units or Restricted Stock Units is ten million (10,000,000) Shares. The maximum number of Bonus Shares that may be awarded is one million (1,000,000) Shares. If any Shares subject to an Award granted hereunder are forfeited or an Award or any portion thereof otherwise terminates or is settled without the issuance of Shares, the Shares subject to such Award, to the extent of any such forfeiture, termination or settlement, shall again be available for grant under the Plan. The Board may from time to time determine the appropriate methodology for calculating the number of Shares issued pursuant to the Plan.
- (b) *Individual Limit.* No individual Grantee may be granted Options, SARs, Restricted Shares, Restricted Stock Units, Bonus Shares, Performance Units or Performance Shares in Shares, or in any combination thereof, relating to an aggregate number of Shares under the Plan that exceeds two million (2,000,000) Shares in any 5-year period. If a previously granted Option, SAR, Restricted Stock Unit, Performance Unit, or Performance Share is forfeited, canceled or repriced, such forfeited, canceled or repriced Award as the case may be, shall continue to be counted against the maximum number of Shares subject to Awards that may be delivered to any Grantee under this Section 4.1(b).

4.2 Adjustments in Shares.

- (a) *Adjustment Principle.* In the event that the Board determines that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, share split, reverse share split, subdivision, consolidation or reduction of capital, reorganization, merger, scheme of arrangement, split-up, spin-off or combination involving the Company or repurchase or exchange of Shares or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that any adjustment is determined by the Board to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Board shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities or property of the Company or any Person that is a party to a Reorganization Transaction with the Company) with respect to which Awards may be granted, (ii) the number and type of Shares (or other securities or property of the Company or any Person that is a party to a Reorganization Transaction with the Company) subject to outstanding Awards, and (iii) the grant or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award or the substitution of other property for Shares subject to an outstanding Award; provided, that the number of Shares subject to any Award denominated in Shares shall always be a whole number.
- (b) *Example.* By way of illustration, and not by way of limitation, the following illustrates how the foregoing adjustment principles would apply in the context of a stock split: Assume a Grantee holds an Option to purchase 1,000 shares of Company stock at an Option Price of \$50 per share. Assume further that the Company completes a two-for-one share split such that every shareholder on the requisite record date receives two Shares for every one Share held on the record date. Pursuant to the adjustment principles set forth above in Section 4.2(a), the Grantee's Option would be adjusted such that, after such adjustment, the Grantee would hold an Option to purchase 2,000 Shares at an Option Price of \$25 per Share. All other terms and conditions of the Option would remain the same. Similar adjustment principles would apply to SARs, Performance Shares, Performance Units, Bonus Shares and Deferred Shares. This Section 4.2(b) is for illustrative purposes only, assumes hypothetical facts, and shall not, under any event or circumstance, be interpreted as the adjustment outcome with respect to specific factual situations.

Article 5. Eligibility and General Conditions of Awards

- 5.1 Eligibility. The Board may grant Awards to any Eligible Person, whether or not he or she has previously received an Award.
- 5.2 Grant Date. The Grant Date of an Award shall be the date on which the Board grants the Award or such later date as specified by the Board (i) in the Board's resolutions or minutes addressing the Award grants or (ii) in the Award Agreement.
- 5.3 Maximum Term. Subject to the following proviso, the Option Term or other period during which an Award may be outstanding shall not extend more than 10 years after the Grant Date, and shall be subject to earlier termination as herein specified.
- 5.4 Award Agreement. To the extent not set forth in the Plan, the terms and conditions of each Award (which need not be the same for each grant or for each Grantee) shall be set forth in an Award Agreement.
- 5.5 Restrictions on Share Transferability. The Board may include in the Award Agreement such restrictions on any Shares acquired pursuant to the exercise or vesting of an Award as it may deem advisable, including restrictions under applicable federal securities laws.
- 5.6 Termination of Affiliation. Except as otherwise provided in an Award Agreement (including an Award Agreement as amended by the Board pursuant to Section 3.2), and subject to the provisions of Section 13.1, the extent to which the Grantee shall have the right to exercise, vest in, or receive payment in respect of an Award following Termination of Affiliation shall be determined in accordance with the following provisions of this Section 5.6.
- (a) For Cause. If a Grantee has a Termination of Affiliation for Cause:
- (i) the Grantee's Restricted Shares that are forfeitable immediately before such Termination of Affiliation shall automatically be forfeited on such date, subject in the case of Restricted Shares to the provisions of Section 8.5 regarding repayment of certain amounts to the Grantee;
 - (ii) the Grantee's Restricted Stock Units shall automatically be forfeited; and
 - (iii) any unexercised Option or SAR, and any Performance Share or Performance Unit with respect to which the Performance Period has not ended immediately before such Termination of Affiliation, shall terminate effective immediately upon such Termination of Affiliation.
- (b) On Account of Death or Disability. If a Grantee has a Termination of Affiliation on account of death or Disability:

- (i) the Grantee's Restricted Shares that were forfeitable immediately before such Termination of Affiliation shall thereupon become nonforfeitable;
 - (ii) the Grantee's Restricted Stock Units shall immediately be settled in accordance with Section 9.4;
 - (iii) any unexercised Option or SAR, whether or not exercisable immediately before such Termination of Affiliation, shall be fully exercisable and may be exercised, in whole or in part, at any time up to one year after such Termination of Affiliation (but only during the Option Term or SAR Term, respectively) by the Grantee or, after his or her death, by (A) his or her personal representative or the person to whom the Option or SAR, as applicable, is transferred by will or the applicable laws of descent and distribution, or (B) the Grantee's beneficiary designated in accordance with Article 11; and
 - (iv) the benefit payable with respect to any Performance Share or Performance Unit with respect to which the Performance Period has not ended immediately before such Termination of Affiliation on account of death or Disability shall be equal to the product of the Fair Market Value of a Share as of the date of such Termination of Affiliation or the value of the Performance Unit specified in the Award Agreement (determined as of the date of such Termination of Affiliation), as applicable, multiplied successively by each of the following:
 - (A) a fraction, the numerator of which is the number of months (including as a whole month any partial month) that have elapsed since the beginning of such Performance Period until the date of such Termination of Affiliation and the denominator of which is the number of months (including as a whole month any partial month) in the Performance Period; and
 - (B) a percentage determined by the Plan Committee that would be earned under the terms of the applicable Award Agreement assuming that the rate at which the performance goals have been achieved as of the date of such Termination of Affiliation would continue until the end of the Performance Period, or, if the Board elects to compute the benefit after the end of the Performance Period, the Performance percentage, as determined by the Board, attained during the Performance Period.
- (c) Change of Control Period. If a Grantee has a Termination of Affiliation during the period ("Change of Control Period") commencing on a Change of Control and ending on the first anniversary of the Change of Control, which Termination of Affiliation is initiated by the Company or a Subsidiary other than for Cause, or initiated by the Grantee for Good Reason, then
- (i) the Grantee's Restricted Shares that were forfeitable shall thereupon become nonforfeitable;
 - (ii) the Grantee's Restricted Stock Units shall immediately be settled in accordance with Section 9.4;
 - (iii) any unexercised Option or SAR, whether or not exercisable on the date of such Termination of Affiliation, shall thereupon be fully exercisable and may be exercised, in whole or in part for ninety (90) days following such Termination of Affiliation (but only during the Option Term or SAR Term, respectively); and
 - (iv) the Company shall immediately pay to the Grantee, with respect to any Performance Share or Performance Unit with respect to which the Performance Period has not ended as of the date of such Termination of Affiliation, a cash payment equal to the product of (A) in the case of a Performance Share, the Change of Control Value or (B) in the case of a Performance Unit, the value of the Performance Unit specified in the Award Agreement, as applicable, multiplied successively by each of the following:
 - (A) a fraction, the numerator of which is the number of whole and partial months that have elapsed between the beginning of such Performance Period and the date of such Termination of Affiliation and the denominator of which is the number of whole and partial months in the Performance Period; and
 - (B) a percentage equal to a greater of (x) the target percentage, if any, specified in the applicable Award Agreement or (y) the maximum percentage, if any, that would be earned under the terms of the applicable Award Agreement assuming that the rate at which the performance goals have been achieved as of the date of such Termination of Affiliation would continue until the end of the Performance Period.
- (d) Any Other Reason. If a Grantee has a Termination of Affiliation for any reason other than for Cause, death or Disability, and other than under the circumstances described in Section 5.6(c), then:
- (i) the Grantee's Restricted Shares, to the extent forfeitable immediately before such Termination of Affiliation, shall thereupon automatically be forfeited, subject in the case of Restricted Shares to the provisions of Section 8.5 regarding repayment of certain amounts to the Grantee;

- (ii) the Grantee's Restricted Stock Units shall automatically be forfeited;
- (iii) any unexercised Option or SAR, to the extent exercisable immediately before such Termination of Affiliation, shall remain exercisable in whole or in part for ninety (90) days after such Termination of Affiliation (but only during the Option Term or SAR Term, respectively) by the Grantee or, after his or her death, by (A) his or her personal representative or the person to whom the Option or SAR, as applicable, is transferred by will or the applicable laws of descent and distribution, or (B) the Grantee's beneficiary designated in accordance with Article 11; and
- (iv) any Performance Shares or Performance Units with respect to which the Performance Period has not ended as of the date of such Termination of Affiliation shall terminate immediately upon such Termination of Affiliation.

5.7 Nontransferability of Awards.

- (a) Except as provided in Section 5.7(c) below, each Award, and each right under any Award, shall be exercisable only by the Grantee during the Grantee's lifetime, or, if permissible under applicable law, by the Grantee's guardian or legal representative.
- (b) Except as provided in Section 5.7(c) below, no Award (prior to the time, if applicable, Shares are issued in respect of such Award), and no right under any Award, may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Grantee otherwise than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Subsidiary; *provided*, that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.
- (c) To the extent and in the manner permitted by the Board, and subject to such terms and conditions as may be prescribed by the Board, a Grantee may transfer an Award to (a) a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the Grantee, (including adoptive relationships), (b) any person sharing the Grantee's household (other than a tenant or employee), (c) a trust in which persons described in (a) or (b) have more than 50% of the beneficial interest, (d) a foundation in which persons described in (a) or (b) or the Grantee own more than 50% of the voting interests; provided such transfer is not for value. The following shall not be considered transfers for value: (i) a transfer under a domestic relations order in settlement of marital property rights; and (ii) a transfer to an entity in which more than 50% of the voting interests are owned by persons described in (a) or (b) above or the Grantee, in exchange for an interest in that entity.

Article 6. Stock Options

- 6.1 Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to any Eligible Person in such number, and upon such terms, and at any time and from time to time as shall be determined by the Board. Without limiting the generality of the foregoing, the Board may grant to any Eligible Person, or permit any Eligible Person to elect to receive, an Option in lieu of or in substitution for any other compensation (whether payable currently or on a deferred basis, and whether payable under the Plan or otherwise) which such Eligible Person may be eligible to receive from the Company or a Subsidiary, which Option may have a value (as determined by the Board under Black-Scholes or any other option valuation method) that is equal to or greater than the amount of such other compensation.
- 6.2 Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the Option Term, the number of shares to which the Option pertains, the time or times at which such Option shall be exercisable and such other provisions as the Board shall determine.
- 6.3 Option Price. The Option Price of an Option under the Plan shall be determined by the Board, and shall be the higher of 100% of the Fair Market Value of a Share on the Grant Date or 100% of the par value of a Share; *provided, however*, that any Option ("Substitute Option") that is (x) granted to a Grantee in connection with the acquisition ("Acquisition"), however effected, by the Company of another corporation or entity ("Acquired Entity") or the assets thereof, (y) associated with an option to purchase shares of stock or other equity interest of the Acquired Entity or an affiliate thereof ("Acquired Entity Option") held by such Grantee immediately prior to such Acquisition, and (z) intended to preserve for the Grantee the economic value of all or a portion of such Acquired Entity Option, shall be granted such that such option substitution is completed in conformity with the rules set forth in Section 424(a) of the Code.

6.4 Grant of Incentive Stock Options.

- (a) At the time of the grant of any Option to an Eligible Person who is an employee of the Company or a Subsidiary, the Board may designate that such option shall be made subject to additional restrictions to permit it to qualify as an "incentive stock option" under the requirements of Section 422 of the Code. Any option designated as an incentive stock option:
 - (i) shall not be granted to a person who owns shares (including shares treated as owned under Section 424(d) of the Code) possessing more than 10% of the total combined voting power of all classes of shares of the Company;
 - (ii) shall be for a term of not more than 10 years from the Grant Date, and shall be subject to earlier termination as provided herein or in the applicable Award Agreement;
 - (iii) shall not have an aggregate Fair Market Value (determined for each incentive stock option at its Grant Date) of Shares with respect to which incentive stock options are exercisable for the first time by such Grantee during any calendar year (under the Plan and any other employee stock option plan of the Grantee's employer or any parent or Subsidiary thereof ("Other Plans")), determined in accordance with the provisions of Section 422 of the Code, which exceeds \$100,000 (the "\$100,000 Limit");
 - (iv) shall, if the aggregate Fair Market Value of a Share (determined on the Grant Date) with respect to the portion of such grant which is exercisable for the first time during any calendar year ("Current Grant") and all incentive stock options previously granted under the Plan and any Other Plans which are exercisable for the first time during a calendar year ("Prior Grants") would exceed the \$100,000 Limit, be exercisable as follows:
 - (A) the portion of the Current Grant which would, when added to any Prior Grants, be exercisable with respect to Shares which would have an aggregate Fair Market Value (determined as of the respective Grant Date for such options) in excess of the \$100,000 Limit shall, notwithstanding the terms of the Current Grant, be exercisable for the first time by the Grantee in the first subsequent calendar year or years in which it could be exercisable for the first time by the Grantee when added to all Prior Grants without exceeding the \$100,000 Limit; and
 - (B) if, viewed as of the date of the Current Grant, any portion of a Current Grant could not be exercised under the preceding provisions of this Subsection (iv) during any calendar year commencing with the calendar year in which it is first exercisable through and including the last calendar year in which it may by its terms be exercised, such portion of the Current Grant shall not be an incentive stock option, but shall be exercisable as a separate Option at such date or dates as are provided in the Current Grant;
 - (v) shall be granted within 10 years from the earlier of the date the Plan is adopted or the date the Plan is approved by the shareholders of the Company;
 - (vi) shall require the Grantee to notify the Board of any disposition of any Shares issued pursuant to the exercise of the incentive stock option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), within 10 days of such disposition; and
 - (vii) shall by its terms not be assignable or transferable other than by will or the laws of descent and distribution and may be exercised, during the Grantee's lifetime, only by the Grantee; provided, however, that the Grantee may, to the extent provided in the Plan in any manner specified by the Board, designate in writing a beneficiary to exercise such incentive stock option after the Grantee's death.

Notwithstanding the foregoing, the Board may, without the consent of the Grantee, at any time before the exercise of an option (whether or not an incentive stock option), take any action necessary to prevent such option from being treated as an incentive stock option.

6.5 Exercise of Options. Options shall be exercised by the delivery of a written notice of exercise to the Company or its designee, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares as instructed by the Board or, subject to the approval of the Board pursuant to procedures approved by the Board,

- (a) through the sale of the Shares acquired on exercise of the Option through a broker-dealer to whom the Grantee has submitted an irrevocable notice of exercise and irrevocable instructions to deliver promptly to the Company the amount of sale or loan proceeds sufficient to pay for such Shares, together with, if requested by the Company, the amount of federal, state, local or foreign withholding taxes payable by Grantee by reason of such exercise,
- (b) through simultaneous sale through a broker of Shares acquired on exercise, as permitted under Regulation T of the Federal Reserve Board,

- (c) by transfer to the Company of the number of Shares then owned by the Grantee, the Fair Market Value of which equals the purchase price of the Shares purchased in connection with the Option exercise, properly endorsed for transfer to the Company; provided however, that Shares used for this purpose must have been held by the Grantee for such minimum period of time as may be established from time to time by the Board; and provided further that the Fair Market Value of any Shares delivered in payment of the purchase price upon exercise of the Options shall be the Fair Market Value as of the exercise date, which shall be the date of delivery of the certificates for the Stock used as payment of the exercise price. For purposes of this Section 6.5(c), in lieu of actually transferring to the Company the number of Shares then owned by the Grantee, the Board may, in its discretion permit the Grantee to submit to the Company a statement affirming ownership by the Grantee of such number of Shares and request that such Shares, although not actually transferred, be deemed to have been transferred by the Grantee as payment of the exercise price, or
- (d) by a “net exercise” arrangement pursuant to which the Company will not require a payment of the Option Price but will reduce the number of Shares upon the exercise by the largest number of whole shares that has a Fair Market Value on the date of exercise that does not exceed the aggregate Option Price. With respect to any remaining balance of the aggregate option price, the Company will accept a cash payment from the Grantee. Notwithstanding the foregoing, a “net exercise” arrangement will not be an eligible exercise method for incentive stock options unless and until the Company and its advisors conclude that such method of exercise may be utilized without resulting in a disqualification of the incentive stock option.

Article 7. Stock Appreciation Rights

- 7.1 Grant of SARs. Subject to the terms and conditions of the Plan, SARs may be granted to any Eligible Person at any time and from time to time as shall be determined by the Board in its sole discretion. The Board may grant Freestanding SARs or Tandem SARs, or any combination thereof.
 - (a) Number of Shares. The Board shall have complete discretion to determine the number of SARs granted to any Grantee, subject to the limitations imposed in the Plan and by applicable law.
 - (b) Exercise Price and Other Terms. All SARs shall be granted with an exercise price no less than the Fair Market Value of the underlying Shares on the SARs’ Grant Date. The Board, subject to the provisions of the Plan, shall have complete discretion to determine the terms and conditions of SARs granted under the Plan. The exercise price per Share of Tandem SARs shall equal the exercise price per Share of the related Option.
- 7.2 SAR Award Agreement. Each SAR granted under the Plan shall be evidenced by a written SAR Award Agreement which shall be entered into by the Company and the Grantee to whom the SAR is granted and which shall specify the exercise price per share, the SAR Term, the conditions of exercise, and such other terms and conditions as the Board in its sole discretion shall determine.
- 7.3 Exercise of SARs. SARs shall be exercised by the delivery of a written notice of exercise to the Company or its designee, setting forth the number of Shares over which the SAR is to be exercised. Tandem SARs (a) may be exercised with respect to all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option; (b) may be exercised only with respect to the Shares for which its related Option is then exercisable; and (c) may be exercised only when the Fair Market Value of the Shares subject to the Option exceeds the Option Price of the Option. The value of the payment with respect to the Tandem SAR may be no more than 100% of the difference between the Option Price of the underlying Option and the Fair Market Value of the Shares subject to the underlying Option at the time the Tandem SAR is exercised.
- 7.4 Expiration of SARs. A SAR granted under the Plan shall expire on the date set forth in the SAR Award Agreement, which date shall be determined by the Board in its sole discretion. Unless otherwise specifically provided for in the SAR Award agreement, a Tandem SAR granted under the Plan shall be exercisable at such time or times and only to the extent that the related Option is exercisable. The Tandem SAR shall terminate and no longer be exercisable upon the termination or exercise of the related Options, except that Tandem SARs granted with respect to less than the full number of Shares covered by a related Option shall not be reduced until the exercise or termination of the related Option exceeds the number of Shares not covered by the SARs.
- 7.5 Payment of SAR Amount. Upon exercise of a SAR, a Grantee shall be entitled to receive payment from the Company in an amount determined by multiplying (i) the positive difference between the Fair Market Value of a Share on the date of exercise over the exercise price per Share by (ii) the number of Shares with respect to which the SAR is exercised. The payment upon a SAR exercise shall be solely in whole Shares of equivalent value. Fractional Shares shall be rounded down to the nearest whole Share with no cash consideration being paid upon exercise.

Article 8. Restricted Shares and Bonus Shares

- 8.1 Grant of Restricted Shares. Subject to the terms and provisions of the Plan, the Board, at any time and from time to time, may grant Restricted Shares to any Eligible Person in such amounts as the Board shall determine.
- 8.2 Bonus Shares. Subject to the terms of the Plan, the Board may grant Bonus Shares to any Eligible Person, in such amount and upon such terms and at any time and from time to time as shall be determined by the Board. Bonus Shares shall be Shares issued without any Restriction.
- 8.3 Award Agreement. Each grant of Restricted Shares shall be evidenced by an Award Agreement, which shall specify the Restrictions and the Period(s) of Restriction, the number of Restricted Shares granted, and such other provisions as the Board shall determine. The Board may impose such Restrictions on any Restricted Shares as it may deem advisable, including Restrictions based upon the achievement of specific performance goals (Company-wide, divisional, Subsidiary or individual), time-based Restrictions on vesting or Restrictions under applicable securities laws; provided that in all cases, the Restricted Shares shall be subject to a minimum two-year graduated vesting schedule (50% each year), except, if as provided in the Award Agreement, in the event of death, disability, Change of Control, Termination of Affiliation with Good Reason, or Termination of Affiliation by the Employer other than for Cause.
- 8.4 Consideration. The Board shall determine the amount, if any, that a Grantee shall pay for Restricted Shares or Bonus Shares. Such payment shall be made in full by the Grantee before the delivery of the shares and in any event no later than 10 business days after the Grant Date for such shares.
- 8.5 Effect of Forfeiture. If Restricted Shares are forfeited, and if the Grantee was required to pay for such shares or acquired such Restricted Shares upon the exercise of an Option, the Grantee shall resell such Restricted Shares to the Company at a price equal to the lesser of (x) the amount paid by the Grantee for such Restricted Shares, or (y) the Fair Market Value of a Share on the date of such forfeiture. The Company shall pay to the Grantee the required amount as soon as is administratively practical.
- 8.6 Escrow. The Board may provide that any Restricted Shares or Bonus Shares shall be represented by, at the option of the Board, either book entry registration or by a stock certificate or certificates. If the shares of Restricted Shares are represented by a certificate or certificates, such shares shall be held (together with an assignment or endorsement executed in blank by the Grantee) in escrow by an escrow agent until such Restricted Shares become nonforfeitable or are forfeited.

Article 9. Restricted Stock Units (f/k/a “Deferred Shares”)

- 9.1 Grant of Restricted Stock Units. Subject to and consistent with the provisions of the Plan and Code Sections 409A(a)(2), (3) and (4), the Board, at any time and from time to time, may grant Restricted Stock Units to any Eligible Person, in such amount and upon such terms as the Board shall determine. A Grantee shall have no voting rights in Restricted Stock Units.
- 9.2 Award Agreement. Each grant of Restricted Stock Units shall be evidenced by an Award Agreement that shall specify the Restrictions, the number of Shares subject to the Restricted Stock Units granted, and such other provisions as the Plan Committee shall determine in accordance with the Plan and Code Section 409A. The Plan Committee may impose such Restrictions on Restricted Stock Units, including time-based Restrictions, Restrictions based on the achievement of specific performance goals, time-based Restrictions following the achievement of specific performance goals, Restrictions based on the occurrence of a specified event, and/or restrictions under applicable securities laws; provided that in all cases the Restricted Stock Units shall be subject to a minimum two-year graduated vesting schedule (50% each year), except, if as provided in the Award Agreement, in the event of death, Disability, Change of Control, Termination of Affiliation with Good Reason, or Termination of Affiliation by the Employer other than for Cause.
- 9.3 Crediting Restricted Stock Units. The Company shall establish an account (“RSU Account”) on its books for each Eligible Person who receives a grant of Restricted Stock Units. Restricted Stock Units shall be credited to the Grantee’s RSU Account as of the Grant Date of such Restricted Stock Units. RSU Accounts shall be maintained for recordkeeping purposes only and the Company shall not be obligated to segregate or set aside assets representing securities or other amounts credited to RSU Accounts. The obligation to make distributions of securities or other amounts credited to RSU Accounts shall be an unfunded, unsecured obligation of the Company.

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

Article 10. Performance Units and Performance Shares

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

If a Grantee is promoted, demoted or transferred to a different business unit of the Company during a Performance Period, then, to the extent the Board determines appropriate, the Board may adjust, change or eliminate the performance goals or the applicable Performance Period as it deems appropriate in order to make them appropriate and comparable to the initial performance goals or Performance Period.

- 10.4 Form and Timing of Payment of Performance Units and Performance Shares. Payment of earned Performance Units or Performance Shares shall be made in a lump sum following the close of the applicable Performance Period. The Board may cause earned Performance Units or Performance Shares to be paid in cash or in Shares (or in a combination thereof) which have an aggregate Fair Market Value equal to the value of the earned Performance Units or Performance Shares at the close of the applicable Performance Period. Such Shares may be granted subject to any restrictions deemed appropriate by the Board. The form of payout of such Awards shall be set forth in the Award Agreement pertaining to the grant of the Award.

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

Article 11. Beneficiary Designation

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

Article 12. Rights of Employees

- 12.1 **Employment.** Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Grantee's employment at any time, nor confer upon any Grantee the right to continue in the employ of the Company.
- 12.2 **Participation.** No employee shall have the right to be selected to receive an Award, or, having been so selected, to be selected to receive a future Award.

Article 13. Amendment, Modification, and Termination

- 13.1 **Amendment, Modification, and Termination.** Subject to the terms of the Plan, the Board of Directors of the Company may at any time and from time to time, alter, amend, suspend or terminate the Plan in whole or in part without the approval of the Company's shareholders, except to the extent the Board of Directors of the Company determines it is desirable to obtain approval of the Company's shareholders, to have available the ability for Options to qualify as ISOs, to comply with the requirements for listing on any exchange where the Company's Shares are listed, or for any other purpose the Board of Directors of the Company deems appropriate.
- 13.2 **Adjustments Upon Certain Unusual or Nonrecurring Events.** The Board may make adjustments in the terms and conditions of Awards in recognition of unusual or nonrecurring events (including the events described in Section 4.2) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Board determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.
- 13.3 **Awards Previously Granted.** Notwithstanding any other provision of the Plan to the contrary (but subject to Section 2.8 and Section 13.2), no termination, amendment or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Grantee of such Award. Any adjustment, modification, extension or renewal of an Option shall be effected such that the Option is either exempt from, or is compliant with, Code section 409A.
- 13.4 **Adjustments in Connection with Change of Control.** In the event the Company undergoes a Change of Control or in the event of a separation, spin-off, sale of a material portion of the Company's assets or any "going private" transaction under Rule 13e-3 promulgated pursuant to the Exchange Act and in which a Change of Control does not occur, the Board, or the board of directors of any corporation assuming the obligations of the Company, shall have the full power and discretion to prescribe and amend the terms and conditions for the exercise, or modification, of any outstanding Awards granted hereunder in the manner as agreed to by the Board as set forth in the definitive agreement relating to the transaction. Without limitation, the Board or Plan Committee may:
- (a) remove restrictions on Restricted Shares and Restricted Stock Units;
 - (b) modify the performance requirements for any other Awards;
 - (c) provide that Options or other Awards granted hereunder must be exercised in connection with the closing of such transactions, and that if not so exercised such Awards will expire;
 - (d) provide for the purchase by the Company of any such Award, upon the Grantee's request, for an amount of cash equal to the amount that could have been attained upon the exercise of such Award or realization of the Grantee's rights had such Award been currently exercisable or payable;
 - (e) make such adjustment to any such Award then outstanding as the Board deems appropriate to reflect such Change of Control;
 - (f) cause any such Award then outstanding to be assumed, or new rights substituted therefore, by the acquiring or surviving corporation after such Change of Control. Any such determinations by the Board may be made generally with respect to all Participants, or may be made on a case-by-case basis with respect to particular Participants.

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

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

Article 14. Withholding

14.1. Mandatory Tax Withholding.

- (a) Whenever under the Plan, Shares are to be delivered upon exercise or payment of an Award, or upon the lapse of Restrictions on an Award, or any other event with respect to rights and benefits hereunder (the exercise date, date such Restrictions lapse or such payment of any other benefit or right occurs hereinafter referred to as the “Tax Date”), the Company shall be entitled to require and may accommodate the Grantee’s request if so requested, to satisfy all federal, state, local and foreign tax withholding requirements, including Social Security and Medicare (“FICA”) taxes related thereto (“Tax Withholding”), by one or a combination of the following methods:
- (i) Payment of an amount in cash equal to the amount to be withheld;
 - (ii) Requesting the Company to withhold from those Shares that would otherwise be received upon exercise of the Option or the SAR payable in Shares, upon the lapse of Restrictions on an Award, a number of Shares having a Fair Market Value on the Tax Date equal to the amount to be withheld; or
 - (iii) withholding from compensation otherwise due to the Grantee.

The Board in its sole discretion may provide that the maximum amount of tax withholding to be satisfied by withholding Shares pursuant to clause (ii) above shall not exceed the minimum amount of taxes, including FICA taxes, required to be withheld under federal, state and local law. An election by Grantee under this subsection is irrevocable. Any fractional share amount and any additional withholding not paid by the withholding or surrender of Shares must be paid in cash. If no timely election is made, the Grantee must deliver cash to satisfy all tax withholding requirements.

- (b) Any Grantee who makes a disqualifying disposition of an incentive stock option granted under the Plan or who makes an election under Section 83(b) of the Code shall remit to the Company an amount sufficient to satisfy all resulting Tax Withholding; *provided that*, in lieu of or in addition to the foregoing, the Company shall have the right to withhold such Tax Withholding from compensation otherwise due to the Grantee or from any Shares or other payment due to the Grantee under the Plan.

14.2 Notification under Code Section 83(b). If the Grantee, in connection with the exercise of any Option, or the grant of Restricted Shares, makes the election permitted under Section 83(b) of the Code to include in such Grantee’s gross income in the year of transfer the amounts specified in Section 83(b) of the Code, then such Grantee shall notify the Company of such election within 10 days of filing the notice of the election with the Internal Revenue Service, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code. The Board may, in connection with the grant of an Award or at any time thereafter prior to such an election being made, prohibit a Grantee from making the election described above.

Article 15. Equity Incentive Plans of Foreign Subsidiaries

The Board may authorize any foreign Subsidiary to adopt a plan for granting Awards (“Foreign Equity Incentive Plan”). All awards granted under such Foreign Equity Incentive Plans shall be treated as grants under the Plan. Such Foreign Equity Incentive Plans shall have such terms and provisions as the Board permits not inconsistent with the provisions of the Plan and which may be more restrictive than those contained in the Plan. Awards granted under such Foreign Equity Incentive Plans shall be governed by the terms of the Plan except to the extent that the provisions of the Foreign Equity Incentive Plans are more restrictive than the terms of the Plan, in which case such terms of the Foreign Equity Incentive Plans shall control.

Article 16. Additional Provisions

16.1 Successors. All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise of all or substantially all of the business or assets of the Company.

- 16.2 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.
- 16.3 Severability. If any part of the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other part of the Plan. Any Section or part of a Section so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.
- 16.4 Requirements of Law. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or stock exchanges as may be required. Notwithstanding any provision of the Plan or any Award, Grantees shall not be entitled to exercise, or receive benefits under, any Award, and the Company shall not be obligated to deliver any Shares or other benefits to a Grantee, if such exercise or delivery would constitute a violation by the Grantee or the Company of any applicable law or regulation.
- 16.5 Securities Law Compliance.
- (a) If the Board deems it necessary to comply with any applicable securities law, or the requirements of any stock exchange upon which Shares may be listed, the Board may impose any restriction on Shares acquired pursuant to Awards under the Plan as it may deem advisable. All Shares transferred under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Board may deem advisable under the rules, regulations and other requirements of the SEC, any stock exchange upon which Shares are then listed, any applicable securities law. If so requested by the Company, the Grantee shall represent to the Company in writing that he or she will not sell or offer to sell any Shares unless a registration statement shall be in effect with respect to such Shares under the Securities Act of 1933 or unless he or she shall have furnished to the Company evidence satisfactory to the Company that such registration is not required.
- (b) If the Board determines that the exercise of, or delivery of benefits pursuant to, any Award would violate any applicable provision of securities laws or the listing requirements of any stock exchange upon which any of the Company's equity securities are then listed, then the Board may postpone any such exercise or delivery, as applicable, but the Company shall use all reasonable efforts to cause such exercise or delivery to comply with all such provisions at the earliest practicable date.
- 16.6 No Rights as a Shareholder. A Grantee shall not have any rights as a shareholder with respect to the Shares (other than Restricted Shares) which may be deliverable upon exercise or payment of such Award until such shares have been delivered to him or her. Restricted Shares, whether held by a Grantee or in escrow by the escrow agent, shall confer on the Grantee all rights of a shareholder of the Company, except as otherwise provided in the Plan or Award Agreement. Unless otherwise determined by the Board at the time of a grant of Restricted Shares, any cash dividends that become payable on Restricted Shares shall be deferred and, if the Board so determines, reinvested in additional Restricted Shares. Except as otherwise provided in an Award Agreement, any share dividends and deferred cash dividends issued with respect to Restricted Shares shall be subject to the same restrictions and other terms as apply to the Restricted Shares with respect to which such dividends are issued. The Board may provide for payment of interest on deferred cash dividends.
- 16.7 Nature of Payments. Awards shall be special incentive payments to the Grantee and shall not be taken into account in computing the amount of salary or compensation of the Grantee for purposes of determining any pension, retirement, death or other benefit under (a) any pension, retirement, profit-sharing, bonus, insurance or other employee benefit plan of the Company or any Subsidiary or (b) any agreement between (i) the Company or any Subsidiary and (ii) the Grantee, except as such plan or agreement shall otherwise expressly provide.
- 16.8 Military Service. Awards shall be administered in accordance with Section 414(u) of the Code and the Uniformed Services Employment and Reemployment Rights Act of 1994.
- 16.9 Data Protection. The Board, the Plan Committee and any other person or entity empowered by the Board or the Plan Committee to administer the Plan may process, store, transfer or disclose personal data of the Grantees to the extent required for the implementation and administration of the Plan. The Board, the Plan Committee and any other person or entity empowered by the Board or the Plan Committee to administer the Plan shall comply with any applicable data protection laws.
- 16.10 Governing Law. The Plan and the rights of any Grantee receiving an Award thereunder shall be construed and interpreted in accordance with and governed by the laws of the State of Kansas without giving effect to the principles of the conflict of laws to the contrary.

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

1. Section 5.6(a)(i) shall be replaced with the following:
 - (i) to the extent permitted by the applicable Swiss law the Grantee's Restricted Shares that are forfeitable immediately before such Termination of Affiliation shall automatically be forfeited on such date, subject in the case of Restricted Shares to the provisions of Section 0 regarding repayment of certain amounts to the Grantee;
2. Section 5.6(a)(ii) shall be replaced with the following:
 - (ii) to the extent permitted by the applicable Swiss law the Grantee's Restricted Stock Units shall automatically be forfeited;
3. Section 5.6(a)(iii) shall be replaced with the following:
 - (iii) to the extent permitted by the applicable Swiss law any unexercised Option or SAR, and any Performance Share or Performance Unit with respect to which the Performance Period has not ended immediately before such Termination of Affiliation, shall terminate effective immediately upon such Termination of Affiliation.
4. Section 5.6(d)(i) shall be replaced with the following:
 - (i) to the extent permitted by the applicable Swiss law the Grantee's Restricted Shares and Deferred Shares, to the extent forfeitable immediately before such Termination of Affiliation, shall thereupon automatically be forfeited, subject in the case of Restricted Shares to the provisions of Section 8.4 regarding repayment of certain amounts to the Grantee;
5. Section 5.6(d)(ii) shall be replaced with the following:
 - (ii) to the extent permitted by the applicable Swiss law the Grantee's Restricted Stock Units shall automatically be forfeited;
6. Section 5.6(d)(iv) shall be replaced with the following:
 - (iv) to the extent permitted by the applicable Swiss law any Performance Shares or Performance Units with respect to which the Performance Period has not ended as of the date of such Termination of Affiliation shall terminate immediately upon such Termination of Affiliation.
7. Section 6.1 shall be replaced with the following:

Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to any Eligible Person in such number, and upon such terms, and at any time and from time to time as shall be determined by the Board. Without limiting the generality of the foregoing and to the extent permitted by the applicable Swiss law, the Board may grant to any Eligible Person, or permit any Eligible Person to elect to receive, an Option in lieu of or in substitution for any other compensation (whether payable currently or on a deferred basis, and whether payable under the Plan or otherwise) which such Eligible Person may be eligible to receive from the Company or a Subsidiary, which Option may have a value (as determined by the Board under Black-Scholes or any other option valuation method) that is equal to or greater than the amount of such other compensation.
8. Article 11 shall be replaced with the following:

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

CERTIFICATION

I, Clifton A. Pemble, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Garmin Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2022

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

CERTIFICATION

I, Douglas G. Boessen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Garmin Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2022

By /s/ Douglas G. Boessen
Douglas G. Boessen
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Garmin Ltd. (the "Company") on Form 10-Q for the period ending March 26, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Clifton A. Pemble, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2022

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

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

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

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Garmin Ltd. (the "Company") on Form 10-Q for the period ending March 26, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas G. Boessen, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2022

By /s/ Douglas G. Boessen
Douglas G. Boessen
Chief Financial Officer

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

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