

# **STATUTORY FINANCIAL STATEMENTS**

**Garmin Ltd. (Switzerland)**

**Years Ended December 30, 2023 and December 31, 2022**

To the General Meeting of  
Garmin Ltd., Schaffhausen

Zurich, February 21, 2024

## Report of the statutory auditor

### Report on the audit of the financial statements



#### Opinion

We have audited the financial statements of Garmin Ltd. (the Company), which comprise the balance sheet as at December 30, 2023, the statement of income for the period from January 1, 2023 to December 30, 2023, and notes to the financial statements.

In our opinion, the accompanying financial statements comply with Swiss law and the Company's articles of incorporation.



#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



#### Key audit matters

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



#### Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### **Board of Directors' responsibilities for the financial statements**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

## **Report on other legal and regulatory requirements**



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

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

Ernst & Young Ltd

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

/s/ Michaela Held  
Licensed audit expert

### **Enclosures**

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

# **Garmin Ltd.**

## **Statutory Financial Statements**

**Years Ended December 30, 2023 and December 31, 2022**

### **Contents**

Statutory Financial Statements .....	4
Notes to Statutory Financial Statements .....	6
Proposed Appropriation of Available Earnings .....	13

**Garmin Ltd.**  
**Balance Sheet**  
*(In thousands)*

	December 30, 2023 (USD)	December 31, 2022 (CHF)	December 30, 2023 (Indicative CHF)
<b>Assets</b>			
- Cash and cash equivalents	2,638	1,790	2,216
- Accounts receivable - affiliates	963	225	809
- Other receivables - third party	337	14	283
- Prepaid expenses	882	1,150	741
Total current assets	4,820	3,179	4,049
- Loans receivable - affiliates	1,094,274	618,567	919,300
- Investment in affiliated companies	4,196,585	5,166,741	3,525,551
Total non-current assets	5,290,859	5,785,308	4,444,851
Total assets	5,295,679	5,788,487	4,448,900
<b>Liabilities and shareholders' equity</b>			
- Accounts payable	-	22	-
- Accounts payable - affiliates	48,456	37,144	40,709
- Accrued expenses	271	5,317	227
- Provision for unrealized translation gains	-	997	-
- Dividend payable from capital contribution reserve	139,604	128,803	117,281
Total current liabilities	188,331	172,283	158,217
Total liabilities	188,331	172,283	158,217
Share capital	19,588	19,808	16,456
Legal capital reserves			
- Reserve from capital contribution	4,099,733	4,278,696	3,444,186
- Reserve for treasury shares from capital contribution	239,434	260,229	201,148
- Other capital reserves	74	68	62
Voluntary retained earnings			
- Dividend reserve from capital contribution	222,289	186,638	186,745
- Available earnings			
- Balance brought forward	948,805	40,790	797,091
- Net (loss) earnings	(323,393)	1,029,261	(271,682)
Treasury shares	(99,182)	(199,286)	(83,323)
Total shareholders' equity	5,107,348	5,616,204	4,290,683
Total liabilities and shareholders' equity	5,295,679	5,788,487	4,448,900

**Garmin Ltd.**  
**Statement of Income**  
*(In thousands)*

	<b>Fiscal Year Ended December 30, 2023 (USD)</b>	<b>Fiscal Year Ended December 31, 2022 (CHF)</b>	<b>Fiscal Year Ended December 30, 2023 (Indicative CHF)</b>
Dividend income - affiliates	1,071,048	1,037,883	899,787
- General and administrative expenses	(12,117)	(10,153)	(10,180)
- General and administrative expenses - affiliates	(16,900)	(14,097)	(14,197)
Operating expenses	<u>(29,017)</u>	<u>(24,249)</u>	<u>(24,377)</u>
Financial result			
- Interest income - affiliates	37,381	19,764	31,404
- Interest expense - affiliates	(1,872)	(4,508)	(1,572)
- Foreign currency (losses) gains	(1,400,933)	372	(1,176,924)
Total financial result	<u>(1,365,424)</u>	<u>15,628</u>	<u>(1,147,092)</u>
Net (loss) earnings	<u>(323,393)</u>	<u>1,029,261</u>	<u>(271,682)</u>

# **Garmin Ltd.**

## **Notes to Statutory Financial Statements**

**December 30, 2023 and December 31, 2022**

*(In thousands, except share and per share information and where otherwise indicated)*

### **1. Summary of significant accounting policies**

#### **General aspects**

Garmin Ltd. (the “Company”) is the parent company of the Garmin Group and has its registered office at Mühlentalstrasse 2, 8200 Schaffhausen, Switzerland. The Company did not have any employees at December 30, 2023 and December 31, 2022.

#### **Basis of presentation**

These unconsolidated statutory financial statements of Garmin Ltd. have been prepared in accordance with the general accepted accounting principles as set out in the Swiss Code of Obligations (“SCO”) Art. 957 to 963b. Since the company has prepared consolidated financial statements in accordance with U.S. generally accepted accounting standards, a recognized accounting standard, we have, in accordance with the SCO, elected to forego presenting the statement of cash flows, the additional disclosures and the management report otherwise required by the SCO.

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

The 2022 Annual Meeting approved a change of the currency in which the company’s share capital (including authorized capital) is denominated from Swiss francs to U.S. dollars, effective as of the beginning of the 2023 fiscal year, as set out in SCO Art. 621(3). Beginning fiscal year 2023, the company will present the share capital (including the authorized capital) using the functional currency (U.S. Dollar) as set out in SCO Art. 621(2). Indicative values in CHF will also be presented in accordance with SCO Art. 958d(3). The exchange rate used for the indicative CHF values will be the rate as of the balance sheet date for both the statement of income and the balance sheet. This column is provided for ease of reference and does not represent a basis of presentation of the 2023 financial statements.

The Company has adopted a 52-53 week period ending on the last Saturday of the calendar year. Due to the fact that there are not exactly 52 weeks in a calendar year and there is slightly more than one additional day per year (not including the effects of a leap year) in each calendar year as compared to a 52-week fiscal year, the Company will have a fiscal year comprising 53 weeks in certain fiscal years, as determined by when the last Saturday of the calendar year occurs. The fiscal year ended December 30, 2023 included 52 weeks and December 31, 2022 included 53 weeks.

## **Affiliates**

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

## **Exchange rate differences**

Prior to 2023, the Company maintained its accounting records in U.S. Dollars (USD) and translated them into Swiss francs (CHF) for statutory reporting purposes. Assets and liabilities denominated in foreign currencies were translated into CHF using the year-end exchange rates, except investment in affiliated companies and the Company’s equity, which were translated at historical rates. Transactions within the statement of income were translated into Swiss francs at the average rate of the year, except for individually significant transactions during the year in which case the applicable daily exchange rate was used. Exchange differences arising from business transactions were recorded in the statement of income, except for net unrealized gains, which were deferred and recorded in current liabilities. Unrealized losses arising from the translation of the financial statements in USD to CHF were recorded in the statement of income, and unrealized gains were deferred and recorded in “Provision for unrealized translation gains”.

As a result of the change in denomination of the company’s share capital approved at the 2022 Annual Meeting and effective January 1, 2023, the Company no longer translates its accounting records from its functional currency USD to CHF for statutory reporting purposes, but rather presents the statutory financial statements in USD beginning in 2023. To effectuate this change, the Company translated the 2023 beginning balance sheet in USD using the exchange rate as of January 1, 2023, with the exception of the investment in affiliated companies, which were translated at their historical USD values. Related exchange rate losses are recognized in the statement of income during 2023. The effect of translating the investment in affiliated companies at the historical USD rate was recognized in the statement of income under “Foreign currency (losses) gains”.

For fiscal years 2023 and beyond, the statutory reporting will be presented in USD. Realized gains or losses arising from business transactions denominated in currencies other than USD, the Company’s functional currency, are recognized in the statement of income. At the balance sheet date, all monetary assets and liabilities denominated in currencies other than USD, are remeasured into USD using year-end exchange rates. Related measurement gains and losses on current assets and liabilities are recognized in the statement of income, given their short-term nature.



### **Investment in affiliated companies**

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

### **Dividend payable from capital contribution**

The dividend payable from capital contribution includes the outstanding quarterly dividend installments, approved by the Annual Meeting but not yet paid.

### **Reserve from capital contribution**

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

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

### **Dividend reserve from capital contribution**

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

### **Treasury shares**

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

### **Personnel expense**

Personnel expense for the years ended December 30, 2023 and December 31, 2022 amounted to USD 2,684 (CHF 2,255) and CHF 1,738, respectively, and is related to personnel expense allocated from the Company's Affiliates, related to the performance of certain general and administrative services including executive administration, procurement and payables, treasury and cash management, payroll, and accounting, as well as the Board of Directors of the Company.

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

## 2. Investment in directly and material indirectly held affiliated companies

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

The investment in directly and material indirectly held affiliated companies is the same for the years ended December 30, 2023 and December 31, 2022.

### 3. Shareholders' equity

CHF in thousands	Share capital	Legal capital reserves			Voluntary retained earnings				Treasury shares	Total
		Reserve from capital contribution	Reserve for treasury shares from capital contribution	Other capital reserves	Dividend reserve from capital contribution	Available earnings				
						Balance brought forward	Net earnings (loss) for the year			
Balance as of December 25, 2021	19,808	4,800,205	294,546	68	160,798	53,340	(12,550)	-	5,316,215	
Balance brought forward						(12,550)	12,550		-	
Release of amounts to dividend payable from reserve from capital contribution (2020 dividend)		(299)							(299)	
Release of dividend reserve from capital contribution (2021 dividend)		160,798			(160,798)				-	
Net movement in reserve for treasury shares from capital contribution		34,317	(34,317)						-	
Release to dividend reserve from capital contribution (2021 dividend)		(716,325)			716,325				-	
Shares repurchased for cancellation								(199,286)	(199,286)	
Dividend payments (2021 dividend)					(400,748)				(400,748)	
Dividend payable at year-end (2021 dividend)					(128,939)				(128,939)	
Net earnings (loss) for the year							1,029,261		1,029,261	
Balance as of December 31, 2022	19,808	4,278,696	260,229	68	186,638	40,790	1,029,261	(199,286)	5,616,204	

USD in thousands	Share capital	Legal capital reserves			Voluntary retained earnings				Treasury shares	Total
		Reserve from capital contribution	Reserve for treasury shares from capital contribution	Other capital reserves	Dividend reserve from capital contribution	Available earnings				
						Balance brought forward	Net earnings (loss) for the year			
Balance as of January 1, 2023	21,453	4,634,133	281,847	74	202,143	44,178	1,114,763	(215,841)	6,082,751	
Balance brought forward						1,114,763	(1,114,763)		-	
Release of dividend reserve from capital contribution (2022 dividend)		202,143			(202,143)				-	
Net movement in reserve for treasury shares from capital contribution		42,413	(42,413)						-	
Release to dividend reserve from capital contribution (2022 dividend)		(780,821)			780,821				-	
Cancellation of repurchased shares	(238)	238				(210,136)		210,136	-	
Reduction of nominal value of shares*	(1,627)	1,627							-	
Shares repurchased for cancellation								(93,477)	(93,477)	
Dividend payments (2022 dividend)					(418,929)				(418,929)	
Dividend payable at year-end (2022 dividend)					(139,604)				(139,604)	
Net (loss) earnings for the year							(323,393)		(323,393)	
Balance as of December 30, 2023	19,588	4,099,733	239,434	74	222,289	948,805	(323,393)	(99,182)	5,107,348	
Balance as of December 30, 2023 - Indicative CHF	16,456	3,444,186	201,148	62	186,745	797,091	(271,683)	(83,323)	4,290,683	

\*The 2022 Annual Meeting approved a reduction of the nominal value of each registered share of Garmin from CHF .10 to CHF .09233 and an allocation of the aggregate nominal value reduction of CHF 1,502 to Garmin's statutory capital reserves from capital contribution. The purpose of the per share nominal value reduction was to achieve a USD .10 par value per share further to the change of the currency of the share capital from Swiss francs to U.S. dollars. The resulting USD nominal value reduction using the 2023 year-end exchange rate is USD 1,627.

The summary of the components of authorized shares at December 30, 2023, December 31, 2022, and December 25, 2021 and changes during those years are as follows:

	Treasury Shares					
	Outstanding Shares	Held by Affiliates	Held by Company	Issued Shares	Shares Authorized but not Issued	Conditional Capital <sup>2</sup>
December 25, 2021	192,607,518	5,469,900	-	198,077,418 <sup>1</sup>	19,807,741	99,038,709
Treasury shares purchased	(2,477,063)	218,073	2,258,990			
Treasury shares issued for stock based compensation	1,492,074	(1,492,074)	-			
December 31, 2022	191,622,529	4,195,899	2,258,990	198,077,418 <sup>1</sup>	19,807,741	99,038,709
Treasury shares cancelled			(2,196,990)	(2,196,990) <sup>3</sup>	(219,699) <sup>4</sup>	
Treasury shares purchased	(1,119,388)	201,925	917,463			
Treasury shares issued for stock based compensation	1,273,968	(1,273,968)	-			
December 30, 2023	191,777,109	3,123,856	979,463	195,880,428 <sup>5</sup>	19,588,042	99,038,709

<sup>1</sup> Shares at CHF 0.10 par value

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

<sup>3</sup> The 2022 Annual Meeting approved the cancellation of 2,196,990 registered shares repurchased under the share repurchase program.

<sup>4</sup> Amount of share capital reduction associated with the cancellation of 2,196,990 registered shares repurchased under the share repurchase program.

<sup>5</sup> Shares at USD 0.10 par value

## 4. Treasury Shares

At December 31, 2022, the Company held 2,258,990 treasury shares with an average cost of CHF 88, of which 2,196,990 were cancelled in 2023. At December 30, 2023, the Company held 979,463 treasury shares with an average cost of USD 101 (CHF 85).

At December 30, 2023 and December 31, 2022, the Company's Affiliates held 3,123,856 and 4,195,899 treasury shares, respectively. The average cost of all treasury shares held by Affiliates at December 30, 2023 and December 31, 2022 amounts to USD 77 (CHF 64) and CHF 62, respectively.

	Carrying value (CHF in thousands)	Number of shares held by affiliates	Average cost (CHF)
Balance as of December 25, 2021	294,546	5,469,900	54
Acquired	21,085	218,073	97
Treasury stock used for stock based compensation	(55,402)	(1,492,074)	37
Balance as of December 31, 2022	260,229	4,195,899	62

  

	Carrying value (USD in thousands)	Number of shares held by affiliates	Average cost (USD)
Balance as of January 1, 2023	281,847	4,195,899	67
Acquired	22,815	201,925	113
Treasury stock used for stock based compensation	(65,229)	(1,273,968)	51
Balance as of December 30, 2023	239,434	3,123,856	77

  

Balance as of December 30, 2023 - Indicative CHF	201,148	3,123,856	64
--	---------	-----------	----

## 5. Contingent Liabilities

The Company has a tax sharing agreement with its Affiliates for certain tax reserves. In addition, the Company through certain of its Affiliates is involved in various regulatory and legal matters. The Company's Affiliates have made certain related accruals. There could be material adverse outcomes beyond the accrued liabilities. Finally, as part of regular business negotiations, the Company will also occasionally guarantee certain financial obligations of its Affiliates when doing so leads to favorable terms. The total amount of these guarantees at December 30, 2023 and December 31, 2022 were USD 57,408 (CHF 53,506) and CHF 39,148 respectively.

## 6. Shares for members of the Board of Directors and Executive Management

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

	2023			2022	
	Quantity	Value - USD	Indicative CHF	Quantity	Value - CHF
Board of Directors	6,004	615,772	517,308	6,008	556,780
Executive Management	60,654	6,400,013	5,376,650	43,125	3,827,149

## 7. Dividend income

During 2023, Garmin Ltd. received a dividend of USD 1,070,175 (CHF 899,054) from one of its Affiliates. During 2022, Garmin Ltd. received a dividend of CHF 1,037,000 from one of its Affiliates. No impairment loss was recognized related to these dividends.

## 8. Subsequent events

No significant events occurred subsequent to the balance sheet date but prior to February 21, 2024 that would have a material impact on the financial statements.

## Proposed Appropriation of Available Earnings

	December 30, 2023 (USD)	December 30, 2023 (Indicative CHF)
Balance brought forward from previous years	1,158,941	973,627
Cancellation of repurchased shares	(210,136)	(176,536)
Net (loss) earnings for the period (on a stand-alone unconsolidated basis)	(323,393)	(271,683)
Total available to the general meeting	<u>625,412</u>	<u>525,408</u>
Proposal of the Board of Directors for the appropriation of available earnings to the general meeting:	<u>625,412</u>	<u>525,408</u>
Balance to be carried forward	625,412	525,408

	Reserve from capital contribution	Reserve for treasury shares from capital contribution <sup>1</sup>	Dividend reserve from capital contribution
USD in thousands			
Balance as of December 30, 2023	4,099,733	239,434	222,289
Proposed release of reserve from capital contribution to dividend reserve from capital contribution	<u>(646,405)</u>		<u>646,405</u>
Balance to be carried forward	3,453,328	239,434	868,694

<sup>1</sup> The reserve for treasury shares is blocked from distribution.

The Board of Directors proposes to the Annual Meeting that Garmin Ltd. pay a cash dividend in the amount of USD 3.00<sup>1</sup> per outstanding share out of Garmin Ltd.'s reserve from capital contribution payable in four equal installments at the dates determined by the Board of Directors in its discretion, the record date and payment date for each such installment to be announced in a press release<sup>2</sup> at least ten calendar days prior to the record date.

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

USD 646,405<sup>3</sup> shall be allocated to dividend reserves from capital contribution (the "Dividend Reserve") from the reserve from capital contribution in order to pay such dividend of USD 3.00 per outstanding share with a nominal value of USD 0.10 each (assuming a total of 195,880,428 shares<sup>4</sup> eligible to receive the dividend). If the aggregate dividend payment is lower than the Dividend Reserve, the relevant difference will be allocated back to the reserve from capital contribution.

<sup>1</sup> In no event will the dividend payment exceed a total of USD 3.00 per share.

<sup>2</sup> The announcements will not be published in the Swiss Official Gazette of Commerce.

<sup>3</sup> Based on a total of 195,880,428 shares eligible for payout (based on the number of shares issued as at December 30, 2023), the aggregate Dividend Reserve would be USD 646,405. The amount of the Dividend Reserve, calculated on the basis of the Company's issued shares as at December 30, 2023, includes a margin to accommodate new share issuances (see footnote 4 below) that may occur between the time that the dividend is approved by shareholders and when the last installment payment is made. Unused Dividend Reserves will be returned to the reserve from capital contribution after the last installment payment.

<sup>4</sup> This number is based on the registered share capital at December 30, 2023. The number of shares eligible for dividend payments may change due to the issuance of new shares, including (without limitation) from the conditional share capital reserved for the employee profit sharing program, and utilization of authorized capital.

**STATUTORY CONSOLIDATED  
FINANCIAL STATEMENTS**

**Garmin Ltd. (Switzerland)  
Years Ended December 30, 2023 and December 31, 2022**



To the General Meeting of  
Garmin Ltd, Schaffhausen

Zurich, February 21, 2024

## Report of the statutory auditor

### Report on the audit of the consolidated financial statements



#### Opinion

We have audited the accompanying consolidated financial statements of Garmin Ltd and its subsidiaries (the Group, Company), which comprise the consolidated balance sheets as of December 30, 2023 and December 31, 2022, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 30, 2023, and the related notes, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 30, 2023 and December 31, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 30, 2023, in conformity with U.S. generally accepted accounting principles (US GAAP) and comply with Swiss law.



#### Basis for opinion

We conducted our audit in accordance with Swiss law, Swiss Standards on Auditing (SA-CH) and the standards of the Public Company Accounting Oversight Board (United States) (PCAOB standards). Our responsibility is to express an opinion on these consolidated financial statements based on our audit and our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are a public accounting firm and are independent of the Group in accordance with the provisions of Swiss law and U.S. federal securities law, together with the requirements of the Swiss audit profession, the U.S. Securities and Exchange Commission and the PCAOB and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



### Critical audit matters

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

### Measurement of Reserve for Unrecognized Income Tax Benefits

<b>Description of the Matter</b>	<p>The Company accounts for uncertainty in income taxes in accordance with the FASB ASC 740 topic, Income Taxes. The Company operates in a multinational tax environment and is subject to tax laws, regulations and guidelines for intercompany transactions that have transfer pricing subjectivity. The Company uses significant judgment to evaluate uncertain tax positions and determine whether the threshold for recognition has been met and to measure the largest amount of benefit that is more likely than not to be realized upon ultimate settlement. As discussed in Note 5 to the consolidated financial statements, the Company's balance of gross unrecognized income tax benefits was \$14 million at December 30, 2023, primarily related to transfer pricing positions.</p>
----------------------------------	---

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

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

Our audit procedures included, among others, involving our tax professionals to test the Company's assessment and measurement of tax positions related to transfer pricing used in intercompany transactions to assess the appropriateness of the ranges of outcomes utilized, the determination of the likelihood of the outcomes, and any related pricing or valuation conclusions reached within the transfer pricing analyses conducted

by the Company. For example, we compared the transfer pricing methodology utilized by management to alternative methodologies and industry benchmarks. We also verified our understanding of the relevant facts by reading the Company's correspondence with the relevant tax authorities and any third-party advice obtained by the Company. In addition, we used our knowledge of international and local income tax laws, as well as historical settlement activity from income tax authorities, to evaluate the appropriateness of the Company's measurement of uncertain tax positions related to transfer pricing used in these intercompany transactions.



### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### **Board of Directors' responsibilities for the consolidated financial statements**

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with US GAAP and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, SA-CH and PCAOB standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, SA-CH and PCAOB standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- ▶ Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters arising from the audit of the consolidated financial statements that were communicated or required to be communicated to the Board of Directors and the Audit Committee, we determine the matter that related to accounts or disclosures that are material to the consolidated financial statements and involved especially challenging, subjective, or complex auditor judgment in the current period and are therefore a critical audit matter.

## Report on other legal and regulatory requirements



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

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

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

Ernst & Young Ltd

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

/s/ Michaela Held  
Licensed audit expert

### Enclosures

- ▶ Consolidated financial statements (consolidated balance sheets, statements of income, comprehensive income, stockholders' equity, cash flows and notes)

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

	<b>Fiscal Year Ended</b>		
	<b>December 30,</b>	<b>December 31,</b>	<b>December 25,</b>
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Net sales	\$ 5,228,252	\$ 4,860,286	\$ 4,982,795
Cost of goods sold	2,223,297	2,053,511	2,092,336
Gross profit	3,004,955	2,806,775	2,890,459
Advertising expense	173,109	168,040	171,829
Selling, general and administrative expenses	834,990	775,963	721,260
Research and development expense	904,696	834,927	778,750
Total operating expense	1,912,795	1,778,930	1,671,839
Operating income	1,092,160	1,027,845	1,218,620
Other income (expense):			
Interest income	77,302	40,826	28,573
Foreign currency gains (losses)	26,434	(11,274)	(45,263)
Other income	4,460	7,577	4,866
Total other income (expense)	108,196	37,129	(11,824)
Income before income taxes	1,200,356	1,064,974	1,206,796
Income tax provision (benefit):			
Current	250,446	233,844	130,040
Deferred	(339,726)	(142,455)	(5,444)
Total income tax provision (benefit)	(89,280)	91,389	124,596
Net income	\$ 1,289,636	\$ 973,585	\$ 1,082,200
Basic net income per share	\$ 6.74	\$ 5.06	\$ 5.63
Diluted net income per share	\$ 6.71	\$ 5.04	\$ 5.61

*See accompanying notes.*

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

	<b>Fiscal Year Ended</b>		
	<b>December 30, 2023</b>	<b>December 31, 2022</b>	<b>December 25, 2021</b>
Net income	\$ 1,289,636	\$ 973,585	\$ 1,082,200
Foreign currency translation adjustment	14,473	(149,396)	(39,538)
Change in fair value of available-for-sale marketable securities, net of deferred taxes	34,446	(82,972)	(26,054)
Comprehensive income	<u>\$ 1,338,555</u>	<u>\$ 741,217</u>	<u>\$ 1,016,608</u>

*See accompanying notes.*

**Garmin Ltd. and Subsidiaries**  
**Consolidated Balance Sheets**  
*(USD in thousands)*

	December 30, 2023	December 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,693,452	\$ 1,279,194
Marketable securities	274,618	173,288
Accounts receivable, less allowance for doubtful accounts of \$7,152 in 2023 and \$5,098 in 2022	815,243	656,847
Inventories	1,345,955	1,515,045
Deferred costs	16,316	14,862
Prepaid expenses and other current assets	318,556	315,915
Total current assets	4,464,140	3,955,151
Property and equipment, net	1,224,097	1,147,005
Operating lease right-of-use assets	143,724	138,040
Noncurrent marketable securities	1,125,191	1,208,360
Deferred income tax assets	754,635	441,071
Noncurrent deferred costs	11,057	9,831
Goodwill	608,474	567,994
Other intangible assets, net	186,601	178,461
Other noncurrent assets	85,650	85,257
Total assets	<u>\$ 8,603,569</u>	<u>\$ 7,731,170</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 253,790	\$ 212,417
Salaries and benefits payable	190,014	176,114
Accrued warranty costs	55,738	50,952
Accrued sales program costs	98,610	97,772
Other accrued expenses	245,874	197,376
Deferred revenue	101,189	91,092
Income taxes payable	225,475	246,180
Dividend payable	139,997	139,732
Total current liabilities	1,310,687	1,211,635
Deferred income tax liabilities	114,682	129,965
Noncurrent income taxes payable	16,521	34,627
Noncurrent deferred revenue	36,148	35,702
Noncurrent operating lease liabilities	113,035	114,541
Other noncurrent liabilities	436	360
Stockholders' equity:		
Common shares (195,880 and 198,077 shares authorized and issued; 191,777 and 191,623 shares outstanding)	19,588	17,979
Additional paid-in capital	2,125,467	2,042,472
Treasury shares (4,103 and 6,454 shares)	(330,909)	(475,095)
Retained earnings	5,263,528	4,733,517
Accumulated other comprehensive income (loss)	(65,614)	(114,533)
Total stockholders' equity	7,012,060	6,204,340
Total liabilities and stockholders' equity	<u>\$ 8,603,569</u>	<u>\$ 7,731,170</u>

See accompanying notes.



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

	Fiscal Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
<b>Operating Activities:</b>			
Net income	\$ 1,289,636	\$ 973,585	\$ 1,082,200
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	132,347	118,743	103,498
Amortization	45,225	45,110	51,320
Loss (gain) on sale of property and equipment	215	(2,083)	298
Unrealized foreign currency (gains) losses	(25,541)	(5,867)	36,385
Deferred income taxes	(340,774)	(143,286)	(5,368)
Stock compensation expense	101,422	76,801	92,522
Realized losses (gains) on marketable securities	62	986	(622)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable, net of allowance for doubtful accounts	(129,120)	167,336	(19,106)
Inventories	244,506	(363,327)	(476,454)
Other current and noncurrent assets	7,887	72,185	(38,004)
Accounts payable	28,503	(131,268)	108,946
Other current and noncurrent liabilities	52,188	(71,756)	70,007
Deferred revenue	10,411	(2,379)	(7,377)
Deferred costs	(2,661)	3,591	8,288
Income taxes	(38,041)	49,888	5,894
Net cash provided by operating activities	1,376,265	788,259	1,012,427
<b>Investing activities:</b>			
Purchases of property and equipment	(193,524)	(244,286)	(307,645)
Proceeds from sale of property and equipment	218	2,402	35
Purchase of intangible assets	(1,504)	(1,907)	(1,942)
Purchase of marketable securities	(170,681)	(1,051,994)	(1,508,712)
Redemption of marketable securities	183,372	1,164,116	1,363,070
Acquisitions, net of cash acquired	(150,853)	(13,455)	(20,175)
Net cash used in investing activities	(332,972)	(145,124)	(475,369)
<b>Financing activities:</b>			
Dividends	(558,769)	(679,096)	(491,457)
Proceeds from issuance of treasury shares related to equity awards	44,063	62,221	35,733
Purchase of treasury shares related to equity awards	(22,815)	(22,730)	(30,985)
Purchase of treasury shares under share repurchase plan	(98,988)	(201,012)	—
Net cash used in financing activities	(636,509)	(840,617)	(486,709)
Effect of exchange rate changes on cash and cash equivalents	7,460	(21,449)	(10,254)
Net increase (decrease) in cash, cash equivalents, and restricted cash	414,244	(218,931)	40,095
Cash, cash equivalents, and restricted cash at beginning of year	1,279,912	1,498,843	1,458,748
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 1,694,156</u>	<u>\$ 1,279,912</u>	<u>\$ 1,498,843</u>

See accompanying notes.

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

	<b>Fiscal Year Ended</b>		
	<b>December 30, 2023</b>	<b>December 31, 2022</b>	<b>December 25, 2021</b>
<b>Supplemental disclosures of cash flow information</b>			
Cash paid during the year for income taxes	\$ 302,154	\$ 184,809	\$ 131,040
Cash received during the year from income tax refunds	\$ 12,133	\$ 7,786	\$ 8,264
<b>Supplemental disclosure of non-cash investing and financing activities</b>			
(Decrease) increase in accrued capital expenditures related to purchases of property and equipment	\$ (634)	\$ (4,320)	\$ 9,541
Change in marketable securities related to unrealized appreciation (depreciation)	\$ 45,506	\$ (107,362)	\$ (32,622)
Fair value of assets acquired	\$ 189,341	\$ 15,340	\$ 20,956
Liabilities assumed	(37,436)	(1,624)	(764)
Less: cash acquired	(1,052)	(261)	(17)
Cash paid for acquisitions, net of cash acquired	\$ 150,853	\$ 13,455	\$ 20,175

*See accompanying notes.*

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

	<b>Common Shares</b>	<b>Additional Paid-In Capital</b>	<b>Treasury Shares</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total</b>
Balance at December 26, 2020	\$ 17,979	\$1,880,354	\$(320,016)	\$3,754,372	\$ 183,427	\$5,516,116
Net income	—	—	—	1,082,200	—	1,082,200
Translation adjustment	—	—	—	—	(39,538)	(39,538)
Adjustment related to unrealized gains (losses) on available-for-sale securities net of income tax effects of \$6,568	—	—	—	—	(26,054)	(26,054)
Comprehensive income	—	—	—	—	—	1,016,608
Dividends	—	—	—	(515,835)	—	(515,835)
Issuance of treasury shares related to equity awards	—	(12,154)	47,887	—	—	35,733
Stock compensation	—	92,522	—	—	—	92,522
Purchase of treasury shares related to equity awards	—	—	(30,985)	—	—	(30,985)
Balance at December 25, 2021	\$ 17,979	\$1,960,722	\$(303,114)	\$4,320,737	\$ 117,835	\$6,114,159
Net income	—	—	—	973,585	—	973,585
Translation adjustment	—	—	—	—	(149,396)	(149,396)
Adjustment related to unrealized gains (losses) on available-for-sale securities net of income tax effects of \$24,390	—	—	—	—	(82,972)	(82,972)
Comprehensive income	—	—	—	—	—	741,217
Dividends	—	—	—	(560,805)	—	(560,805)
Issuance of treasury shares related to equity awards	—	4,949	57,272	—	—	62,221
Stock compensation	—	76,801	—	—	—	76,801
Purchase of treasury shares related to equity awards	—	—	(22,730)	—	—	(22,730)
Purchase of treasury shares under share repurchase plan, including any associated excise tax	—	—	(206,523)	—	—	(206,523)
Balance at December 31, 2022	\$ 17,979	\$2,042,472	\$(475,095)	\$4,733,517	\$ (114,533)	\$6,204,340
Net income	—	—	—	1,289,636	—	1,289,636
Translation adjustment	—	—	—	—	14,473	14,473
Adjustment related to unrealized gains (losses) on available-for-sale securities net of income tax effects of \$11,060	—	—	—	—	34,446	34,446
Comprehensive income	—	—	—	—	—	1,338,555
Dividends	—	—	—	(559,036)	—	(559,036)
Issuance of treasury shares related to equity awards	—	(16,580)	60,643	—	—	44,063
Stock compensation	—	101,422	—	—	—	101,422
Purchase of treasury shares related to equity awards	—	—	(22,815)	—	—	(22,815)
Purchase of treasury shares under share repurchase plan, including any associated excise tax	—	—	(94,469)	—	—	(94,469)
Cancellation of treasury shares	(238)	—	200,827	(200,589)	—	—
Share capital currency change	1,847	(1,847)	—	—	—	—
Balance at December 30, 2023	\$ 19,588	\$2,125,467	\$(330,909)	\$5,263,528	\$ (65,614)	\$7,012,060

See accompanying notes.

**Garmin Ltd. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
***(USD in thousands, except share and per share information)***  
***December 30, 2023 and December 31, 2022***

## **1. Summary of Significant Accounting Policies**

### **Basis of Presentation and Principles of Consolidation**

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

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The accompanying consolidated financial statements reflect the accounts of Garmin Ltd. and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated.

### **Changes in Classification and Allocation**

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

The Company announced an organization realignment in January 2023, which combined the consumer auto operating segment with the outdoor operating segment. As a result, the Company's operating segments, which also represent its reportable segments, are fitness, outdoor, aviation, marine, and auto OEM. Results for the 53-week and 52-week periods ended December 31, 2022 and December 25, 2021, respectively, have been recast to conform to current period presentation. This change had no effect on the Company's consolidated results of operations.

### **Fiscal Year**

The Company's fiscal year is based on a 52-53-week period ending on the last Saturday of the calendar year. Due to the fact that there are not exactly 52 weeks in a calendar year, the Company will have a fiscal year comprising 53 weeks in certain fiscal years, as determined by when the last Saturday of the calendar year occurs.

In those resulting fiscal years that have 53 weeks, the Company will record an extra week of sales, costs, and related financial activity. Therefore, the financial results of those 53-week fiscal years, and the associated 14-week fourth quarters, will not be entirely comparable to the prior and subsequent 52-week fiscal years and the associated 13-week quarters. Fiscal year 2023 contains 52 weeks compared to 53 weeks for 2022 and 52 weeks for 2021.

### **Use of Estimates**

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

## Foreign Currency

Many Garmin Ltd. subsidiaries utilize currencies other than the United States Dollar (USD) as their functional currency. As required by Accounting Standards Codification (ASC) Topic 830, *Foreign Currency Matters*, the financial statements of these subsidiaries for all periods presented have been translated into USD, the functional currency of Garmin Ltd., and the reporting currency herein, for purposes of consolidation at rates prevailing during the year for sales, costs, and expenses and at end-of-year rates for all assets and liabilities. The effect of this translation is recorded in a separate component of stockholders' equity. Cumulative currency translation adjustments of \$(11,508) and \$(25,981) as of December 30, 2023 and December 31, 2022, respectively, have been included in accumulated other comprehensive income (loss) in the accompanying consolidated balance sheets.

Transactions in foreign currencies are recorded at the approximate rate of exchange at the transaction date. Assets and liabilities resulting from these transactions are translated at the rate of exchange in effect at the balance sheet date. The majority of the Company's consolidated foreign currency gain or loss is typically driven by the significant cash and marketable securities, receivables, and payables held in a currency other than the functional currency at a given legal entity. Net foreign currency gains recorded in results of operations were \$26,434 for the year ended December 30, 2023, net foreign currency losses recorded in results of operations were \$11,274 for the year ended December 31, 2022, and net foreign currency losses recorded in results of operations were \$45,263 for the year ended December 25, 2021. The gain in fiscal 2023 was primarily due to the U.S. Dollar weakening against the Polish Zloty and Euro, partially offset by the U.S. Dollar strengthening against the Taiwan Dollar. The loss in fiscal 2022 was primarily due to the U.S. Dollar strengthening against the Australian Dollar, Polish Zloty, Chinese Yuan, Euro, Japanese Yen, and British Pound Sterling, partially offset by the U.S. Dollar strengthening against the Taiwan Dollar. The loss in fiscal 2021 was primarily due to the U.S. Dollar strengthening against the Euro, Polish Zloty, Japanese Yen, Swiss Franc, and Australian Dollar, while the U.S. Dollar weakened against the Taiwan Dollar.

Garmin Corporation, one of the Company's principal subsidiaries, is located in Taiwan. The Taiwan Foreign Exchange Control Statute (the Statute), and regulations thereunder, provides that all foreign exchange transactions must be executed by banks designated to handle such business by the Ministry of Finance of Taiwan and by the Central Bank of the Republic of China (Taiwan), also referred to as the CBC. Current regulations favor trade-related foreign exchange transactions, so the Statute does not impose any significant restrictions on import or export activities involving foreign currencies in Taiwan. Non-trade related currency exchanges exceeding \$50 million, or its equivalent, in a calendar year require approval of the CBC.

## Revenue Recognition

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

The Company allocates revenue to all performance obligations associated with tangible products containing separately identifiable ongoing services based on the respective performance obligations' relative standalone selling prices (SSP), with the amounts allocated to ongoing services deferred and recognized over a period of time. These ongoing services primarily consist of the Company's contractual promises to provide personal navigation device (PND) users with map updates and server-based traffic services. In addition, the Company provides map update services (map care) over a contractual period in certain hardware and software contracts with automotive original equipment manufacturers (OEMs). The Company has determined that directly observable prices do not exist for certain map updates, map care, or server-based traffic, as stand-alone and unbundled unit sales do not occur on more than a limited basis. Therefore, the Company uses the expected cost plus a margin as the primary indicator to calculate relative SSP of certain map updates, map care, and traffic performance obligations. The revenue and associated costs allocated to map updates, map care, and server-based traffic services are deferred and recognized ratably over the contractual service period or estimated life of the products. Additionally, the Company has offered certain other products and services with ongoing performance obligations for which the associated revenue is recognized over the contractual service period (typically ranging from 1 month to 3 years), including aviation database and other service subscriptions, incremental navigation and communication service subscriptions, mobile applications, and extended warranties.

The Company records revenue net of sales tax or value-added tax and variable consideration such as trade discounts and customer returns. Payment is due typically within 90 days or less of shipment of product, or upon the grant of a given software license (as applicable). The Company records estimated reductions to revenue in the form of variable consideration for customer sales programs, returns, and incentive offerings including rebates, price protection, promotions, and other volume-based incentives. Cooperative advertising incentives payable to dealers and distributors are recorded as reductions of revenue unless the Company obtains proof of a distinct advertising service, in which case the incentive is recorded as advertising expense. The reductions to revenue are based on estimates and judgments using historical experience and expectation of future conditions, if not otherwise determinable.

### **Shipping and Handling Costs**

Shipping and handling activities are typically performed before the customer obtains control of the good, and the related costs are expensed at the approximate time of sale. Shipping and handling costs are included in cost of goods sold in the accompanying consolidated statements of income.

### **Advertising Costs**

The Company expenses advertising costs as incurred. Advertising expense amounted to approximately \$173,109, \$168,040, and \$171,829 for the years ended December 30, 2023, December 31, 2022, and December 25, 2021, respectively.

### **Software Development Costs**

ASC Topic 985-20, *Software – Costs of Software to Be Sold, Leased, or Marketed*, requires companies to expense software development costs as they incur them until technological feasibility has been established, at which time those costs are capitalized until the product is available for general release to customers. The Company's capitalized software development costs are not significant, as the time elapsed from working model to release is typically short. As required by ASC Topic 730, *Research and Development*, costs incurred to enhance the Company's existing products or after the general release of the service using the product are expensed in the period they are incurred and included in research and development costs in the accompanying consolidated statements of income.

### **Accounting for Stock Compensation**

The Company currently sponsors three employee stock compensation plans. ASC Topic 718, *Compensation – Stock Compensation*, requires the measurement and recognition of compensation expenses for all share-based payment awards made to employees and directors, including employee stock options and restricted stock, based on estimated fair values.

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

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

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

Stock compensation plans are discussed in more detail in Note 10 of the Notes to Consolidated Financial Statements.

## **Research and Development**

A majority of the Company's research and development is performed in the United States. Research and development costs, which are typically expensed as incurred, amounted to approximately \$904,696, \$834,927, and \$778,750 for the years ended December 30, 2023, December 31, 2022, and December 25, 2021, respectively.

## **Preproduction Costs Related to Long-Term Supply Arrangements**

Preproduction design and development costs related to long-term supply arrangements are expensed as incurred, and classified as research and development, unless the customer has provided a contractual guarantee for reimbursement of such costs. Contractually reimbursable costs are capitalized as incurred in the consolidated balance sheets within prepaid expenses and other current assets if reimbursement is expected to be received within one year, or within other noncurrent assets if expected to be received beyond one year. Such capitalized costs were approximately \$19,226 and \$23,510 as of December 30, 2023 and December 31, 2022, respectively.

## **Income Taxes**

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

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

Income taxes are discussed in more detail in Note 5 of the Notes to Consolidated Financial Statements.

## **Earnings Per Share**

Basic earnings per share amounts are computed based on the weighted-average number of common shares outstanding. For purposes of diluted earnings per share, the number of shares that would be issued from the exercise of dilutive share-based compensation awards has been reduced by the number of shares that could have been purchased from the proceeds of the exercise or release at the average market price of the Company's shares during the period the awards were outstanding. See Note 3 of the Notes to Consolidated Financial Statements.

## **Cash, Cash Equivalents, and Restricted Cash**

Cash and cash equivalents include cash on hand, operating accounts, money market funds, deposits readily convertible to known amounts of cash, and securities with maturities of three months or less when purchased. The carrying amount of cash and cash equivalents approximates fair value, given the short maturity of those instruments. Restricted cash is reported within other noncurrent assets on the consolidated balance sheets. See Note 7 of the Notes to Consolidated Financial Statements for additional information on restricted cash.

The total of the cash and cash equivalents balance and the restricted cash reported within other noncurrent assets on the consolidated balance sheets reconciles to the total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows.

## **Marketable Securities**

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

All of the Company's marketable securities were considered available-for-sale at December 30, 2023. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive income (loss) on the Company's consolidated balance sheets. At December 30, 2023, and December 31, 2022, cumulative unrealized losses of \$54,106 and \$88,552, respectively, were reported in accumulated other comprehensive income (loss), net of related taxes.

The Company recognizes impairments relating to credit losses of available-for-sale securities through an allowance for credit losses and other income (expense) on the Company's consolidated statements of income. Impairment not relating to credit losses is recorded in accumulated other comprehensive income (loss) on the Company's consolidated balance sheets.

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

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

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

Marketable securities are discussed in more detail in Note 4 of the Notes to Consolidated Financial Statements.



## Fair Value of Financial Instruments

As required by ASC Topic 825, *Financial Instruments*, the following summarizes required information about the fair value of certain financial instruments for which it is currently practicable to estimate such value. None of the financial instruments are held or issued for trading purposes. The carrying amounts and fair values of the Company's financial instruments are as follows:

	December 30, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 1,693,452	\$ 1,693,452	\$ 1,279,194	\$ 1,279,194
Marketable securities	\$ 1,399,809	\$ 1,399,809	\$ 1,381,648	\$ 1,381,648

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

## Trade Accounts Receivable

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

## Concentration of Credit Risk

The Company's top ten customers have contributed between 20% and 23% of net sales annually since 2021. None of the Company's customers accounted for 10% or more of consolidated net sales in the years ended December 30, 2023, and December 31, 2022. Amazon.com, Inc. and its affiliates (Amazon), a customer of the fitness, outdoor, marine, and consumer auto segments, was the Company's largest customer and accounted for approximately 10% of its consolidated net sales in the fiscal year ended December 25, 2021. No other customer accounted for 10% or more of Garmin's consolidated net sales in fiscal 2021.

## Inventories

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

	December 30, 2023	December 31, 2022
Raw materials	\$ 493,493	\$ 600,858
Work-in-process	160,919	180,873
Finished goods	691,543	733,314
Inventories	<u>\$ 1,345,955</u>	<u>\$ 1,515,045</u>

## Deferred Revenues and Costs

At December 30, 2023 and December 31, 2022, the Company had deferred revenues totaling \$137,337 and \$126,794, respectively, and related deferred costs totaling \$27,373 and \$24,693, respectively.

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

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

## Property and Equipment

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

	<b>Estimated Useful Life</b>	<b>December 30, 2023</b>	<b>December 31, 2022</b>
Land		\$ 201,287	\$ 193,861
Building and improvements	15 to 50 years	934,837	856,722
Machinery, equipment and software	3 to 10 years	1,118,561	1,001,344
Total, at cost		2,254,685	2,051,927
Accumulated depreciation		(1,030,588)	(904,922)
Property and equipment, net		<u>\$ 1,224,097</u>	<u>\$ 1,147,005</u>

As required by ASC Topic 360, *Property, Plant and Equipment*, the Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be fully recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. That assessment is based on the carrying amount of the asset at the date it is tested for recoverability. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. The Company did not recognize any material long-lived asset impairment charges in the fiscal years of 2023, 2022, or 2021.

## Goodwill and Other Intangible Assets

The Company's excess purchase cost over fair value of net assets acquired (goodwill) was \$608,474 at December 30, 2023, and \$567,994 at December 31, 2022. Each of the Company's operating segments (fitness, outdoor, aviation, marine, and auto OEM) represents a distinct reporting unit. The Company allocates goodwill to reporting units in proportion to the expected benefit from each business combination. Changes in the carrying amount of goodwill for the years ended December 30, 2023 and December 31, 2022 are as follows:

	<b>Fitness</b>	<b>Outdoor</b>	<b>Aviation</b>	<b>Marine</b>	<b>Auto OEM</b>	<b>Total</b>
Goodwill balance as of December 25, 2021	\$255,872	\$178,955	\$ 60,347	\$ 79,906	\$ —	\$575,080
Acquisitions	—	2,518	—	7,340	—	9,858
Foreign currency translation and other adjustments	(11,570)	(3,129)	—	(2,245)	—	(16,944)
Goodwill balance as of December 31, 2022	\$244,302	\$178,344	\$ 60,347	\$ 85,001	\$ —	\$567,994
Acquisitions	—	—	—	32,014	—	32,014
Foreign currency translation and other adjustments	6,078	1,400	—	988	—	8,466
Goodwill balance as of December 30, 2023	<u>\$250,380</u>	<u>\$179,744</u>	<u>\$ 60,347</u>	<u>\$118,003</u>	<u>\$ —</u>	<u>\$608,474</u>

ASC Topic 350, *Intangibles – Goodwill and Other*, requires that goodwill and intangible assets with indefinite useful lives should not be amortized but rather be assessed for impairment at least annually or sooner whenever events or changes in circumstances indicate that they may be impaired. The Company performs its annual impairment assessments of goodwill and indefinite-lived intangible assets, if any, in the fourth quarter of each year, as of the Company's fiscal year end date, and between annual tests if an event occurs or circumstances change that would indicate it is more likely than not that they may be impaired.

ASC Topic 350 allows management to first perform a qualitative goodwill assessment by assessing the qualitative factors of relevant events and circumstances at the reporting unit level to determine if it is necessary to perform the quantitative goodwill impairment test. If factors indicate that it is more likely than not that the fair value of the reporting unit is less than the carrying amount, then the quantitative test will be performed. If the fair value of the reporting unit is less than the carrying amount, then a goodwill impairment charge will be recognized in the amount by which carrying amount exceeds fair value, limited to the total amount of goodwill allocated to that reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, and assignment of goodwill to reporting units. If a quantitative impairment test is performed, the fair value of each reporting unit is estimated through the use of a discounted cash flow methodology, which also requires judgment and assumptions, including discount rate, projected future revenues, projected future operating margins, and terminal growth rates. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results, market conditions, and other factors.

Management concluded that no goodwill associated with any reporting unit is currently at risk of impairment based on quantitative assessments performed in 2023. The Company did not recognize any material goodwill or intangible asset impairment charges in fiscal years 2023, 2022, or 2021.

At December 30, 2023, and December 31, 2022, the Company had intellectual property, customer related intangibles, and other identifiable finite-lived intangible assets recorded at a cost of \$553,163 and \$511,716, respectively. Identifiable, finite-lived intangible assets are amortized over their estimated useful lives on a straight-line basis typically over three to twelve years. Accumulated amortization was \$366,560 and \$333,256 at December 30, 2023 and December 31, 2022, respectively. Amortization expense on these intangible assets was \$30,513, \$30,561, and \$35,540 for the years ended December 30, 2023, December 31, 2022, and December 25, 2021, respectively. In the next five years, the amortization expense is estimated to be \$30,839, \$27,629, \$24,425, \$20,578, and \$15,496, respectively. The Company also reviews finite-lived intangible assets for impairment in accordance with ASC Topic 360, as described above, whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be fully recoverable.

## **Leases**

The Company leases certain real estate properties, vehicles, and equipment in various countries around the world. Leased properties are typically used for office space, distribution, and retail. The Company's leases are classified as operating leases with remaining terms of 1 to 30 years, some of which include an option to extend or renew. If the exercise of an option to extend or renew is determined to be reasonably certain, the associated right-of-use asset and lease liability reflects the extended period and payments. For newly signed leases, the right-of-use asset and lease liability is recognized on lease commencement date. Variable lease costs, such as adjustments to payments based on consumer price indices, are excluded in the recognition of right-of-use assets and lease liabilities. For all real estate leases, any non-lease components, including common area maintenance, have been separated from lease components and excluded from the associated right-of-use asset and lease liability calculations. For all equipment and vehicle leases, an accounting policy election has been made to not separate lease and non-lease components.

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

## Product Warranty

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

	Fiscal Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
Balance - beginning of period	\$ 50,952	\$ 45,467	\$ 42,643
Accrual for products sold <sup>(1)</sup>	79,637	72,821	69,810
Expenditures	(74,851)	(67,336)	(66,986)
Balance - end of period	<u>\$ 55,738</u>	<u>\$ 50,952</u>	<u>\$ 45,467</u>

<sup>(1)</sup> 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.

## Contingencies

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

If an outcome unfavorable to the Company is determined to be probable, but the amount of loss cannot be reasonably estimated or is determined to be reasonably possible, but not probable, the Company discloses the nature of the contingency and an estimate of the possible loss or range of loss or a statement that such an estimate cannot be made. The Company's aggregate range of reasonably possible losses includes (1) matters where a liability has been accrued and there is a reasonably possible loss in excess of the amount accrued for that liability, and (2) matters where a loss is believed to be reasonably possible, but not probable, and a liability therefore has not been accrued. This aggregate range only represents the Company's estimate of reasonably possible losses and does not represent the Company's maximum loss exposure. The assessment regarding whether a loss is probable or reasonably possible, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events. In assessing the probability of an outcome in a lawsuit, claim or assessment that could be unfavorable to the Company, the Company considers the following factors, among others: (a) the nature of the litigation, claim, or assessment; (b) the progress of the case; (c) the opinions or views of legal counsel and other advisers; (d) the Company's experience in similar cases; (e) the experience of other entities in similar cases; and (f) how the Company intends to respond to the lawsuit, claim, or assessment. Costs incurred in defending lawsuits, claims or assessments are expensed as incurred.

See Note 7 of the Notes to Consolidated Financial Statements for additional information on contingencies.

## Recently Adopted Accounting Standards

There are no recently adopted accounting standards that have a material impact on the Company's consolidated financial statements, accounting policies, processes, or systems.

## Recently Issued Accounting Pronouncements Not Yet Adopted

### *Income Taxes*

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”) to enhance the transparency and decision usefulness of income tax disclosures, primarily related to the rate reconciliation and income taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact that the updated standard will have on its financial statement disclosures.

### *Segment Reporting*

In November 2023, the FASB issued Accounting Standards Update No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”) to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact that the updated standard will have on its financial statement disclosures.

## 2. 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, the Company disaggregates revenue (or “net sales”) by geographic region, major product category, and pattern of recognition.

Disaggregated revenue by geographic region (Americas, APAC, and EMEA) is presented in Note 11 – Segment Information and Geographic Data. Note 11 also contains disaggregated revenue information of the five major product categories identified by the Company – fitness, outdoor, aviation, marine, 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 outdoor, aviation, and auto OEM segments and relate to performance obligations that are satisfied over the estimated life of the product or contractual service period. Revenue disaggregated by the timing of transfer of the goods or services is presented in the table below:

	Fiscal Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
Point in time	\$ 4,938,479	\$ 4,602,636	\$ 4,762,260
Over time	289,773	257,650	220,535
Net sales	\$ 5,228,252	\$ 4,860,286	\$ 4,982,795

Transaction price and costs associated with the Company's unsatisfied performance obligations are reflected as deferred revenue and deferred costs, respectively, on the Company's consolidated balance sheets. Such amounts are recognized ratably over the applicable service period or estimated useful life. Changes in deferred revenue and costs during the 52-week period ending December 30, 2023 and 53-week period ending December 31, 2022, are presented below:

	Fiscal Year Ended			
	December 30, 2023		December 31, 2022	
	Deferred Revenue <sup>(1)</sup>	Deferred Costs <sup>(2)</sup>	Deferred Revenue <sup>(1)</sup>	Deferred Costs <sup>(2)</sup>
Balance, beginning of period	\$ 126,794	\$ 24,693	\$ 129,272	\$ 28,322
Deferrals in period	300,316	24,286	255,172	17,169
Recognition of deferrals in period	(289,773)	(21,606)	(257,650)	(20,798)
Balance, end of period	\$ 137,337	\$ 27,373	\$ 126,794	\$ 24,693

<sup>(1)</sup> Deferred revenue is comprised of both deferred revenue and noncurrent deferred revenue per the consolidated balance sheets.

<sup>(2)</sup> Deferred costs are comprised of both deferred costs and noncurrent deferred costs per the consolidated balance sheets.

Of the \$289,773 of deferred revenue recognized in the 52-weeks ended December 30, 2023, \$87,131 was deferred as of the beginning of the period. Of the \$257,650 of deferred revenue recognized in the 53-weeks ended December 31, 2022, \$84,227 was deferred as of the beginning of the period. Of the \$137,337 of deferred revenue as of December 30, 2023, the Company expects to recognize approximately eighty-five percent ratably over a total period of three years or less.

### 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".

	Fiscal Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
Numerator:			
Numerator for basic and diluted net income per share - net income	\$ 1,289,636	\$ 973,585	\$ 1,082,200
Denominator (in thousands):			
Denominator for basic net income per share – weighted-average common shares	191,397	192,544	192,180
Effect of dilutive equity awards	661	498	863
Denominator for diluted net income per share – adjusted weighted-average common shares	192,058	193,042	193,043
Basic net income per share	\$ 6.74	\$ 5.06	\$ 5.63
Diluted net income per share	\$ 6.71	\$ 5.04	\$ 5.61
Shares excluded from diluted net income per share calculation:			
Anti-dilutive equity awards (in thousands)	-	625	235

#### 4. Marketable Securities

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The accounting guidance classifies the inputs used to measure fair value into the following hierarchy:

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

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

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

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

Available-For-Sale Securities as of December 30, 2023					
	Fair Value Level	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	Level 2	\$ 2,971	\$ 1	\$ —	\$ 2,972
Agency securities	Level 2	23,692	32	(585)	23,139
Mortgage-backed securities	Level 2	38,743	—	(4,731)	34,012
Corporate debt securities	Level 2	1,104,834	1,680	(46,073)	1,060,441
Municipal securities	Level 2	294,240	98	(18,430)	275,908
Other	Level 2	3,760	—	(423)	3,337
<b>Total</b>		<b>\$1,468,240</b>	<b>\$ 1,811</b>	<b>\$ (70,242)</b>	<b>\$1,399,809</b>

Available-For-Sale Securities as of December 31, 2022					
	Fair Value Level	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	Level 2	\$ —	\$ —	\$ —	\$ —
Agency securities	Level 2	7,000	—	(786)	6,214
Mortgage-backed securities	Level 2	45,373	—	(4,525)	40,848
Corporate debt securities	Level 2	1,106,688	188	(77,802)	1,029,074
Municipal securities	Level 2	326,058	3	(28,861)	297,200
Other	Level 2	10,466	—	(2,154)	8,312
<b>Total</b>		<b>\$1,495,585</b>	<b>\$ 191</b>	<b>\$ (114,128)</b>	<b>\$1,381,648</b>

The primary objectives of the Company's investment policy are to preserve capital, maintain an acceptable degree of liquidity, and maximize yield within the constraint of low credit risk. 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 \$11,716 as of December 30, 2023, is excluded from both the fair value and amortized cost basis of available-for-sale securities and is included within prepaid expenses and other current assets on the Company's consolidated balance sheets. The Company writes off impaired accrued interest on a timely basis, generally within 30 days of the due date, by reversing interest income. No accrued interest was written off during the 52-week period ended December 30, 2023.

The Company recognizes impairments relating to credit losses of available-for-sale securities through an allowance for credit losses and other income (expense) on the Company's consolidated statements of income. Impairment not relating to credit losses is recorded in accumulated other comprehensive income (loss) on the Company's consolidated balance sheets. The cost of securities sold is based on the specific identification method. Approximately 92% of securities in the Company's portfolio were at an unrealized loss position at December 30, 2023.

The following tables display additional information regarding gross unrealized losses and fair value by major security type for available-for-sale securities in an unrealized loss position as of December 30, 2023 and December 31, 2022.

	As of December 30, 2023					
	Less than 12 Consecutive Months		12 Consecutive Months or Longer		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Agency securities	(31)	10,923	(554)	6,446	(585)	17,369
Mortgage-backed securities	—	—	(4,731)	34,012	(4,731)	34,012
Corporate debt securities	(702)	64,637	(45,371)	889,785	(46,073)	954,422
Municipal securities	(32)	2,654	(18,398)	261,651	(18,430)	264,305
Other	—	—	(423)	3,337	(423)	3,337
<b>Total</b>	<b>\$ (765)</b>	<b>\$ 78,214</b>	<b>\$ (69,477)</b>	<b>\$ 1,195,231</b>	<b>\$ (70,242)</b>	<b>\$ 1,273,445</b>

	As of December 31, 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
U.S. Treasury securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Agency securities	—	—	(786)	6,214	(786)	6,214
Mortgage-backed securities	(1,900)	23,229	(2,625)	17,619	(4,525)	40,848
Corporate debt securities	(26,680)	508,956	(51,122)	498,834	(77,802)	1,007,790
Municipal securities	(2,136)	69,017	(26,725)	225,679	(28,861)	294,696
Other	—	—	(2,154)	8,067	(2,154)	8,067
<b>Total</b>	<b>\$ (30,716)</b>	<b>\$ 601,202</b>	<b>\$ (83,412)</b>	<b>\$ 756,413</b>	<b>\$ (114,128)</b>	<b>\$ 1,357,615</b>

As of December 30, 2023 and December 31, 2022, 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 debt, municipal, and other securities presented above because the Company does not consider the declines in fair value to have resulted from credit losses. The Company 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. The Company does not intend to sell the securities, and it is not more likely than not that the Company will be required to sell the securities, before the respective recoveries of their amortized cost bases, which may be maturity.



The amortized cost and fair value of marketable securities at December 30, 2023, by maturity, are shown below.

	Amortized Cost	Fair Value
Due in one year or less	\$ 279,137	\$ 274,618
Due after one year through five years	1,170,760	1,109,093
Due after five years through ten years	10,067	9,187
Due after ten years	8,276	6,911
<b>Total</b>	<b>\$ 1,468,240</b>	<b>\$ 1,399,809</b>

## 5. Income Taxes

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

	Fiscal Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
U.S. federal:			
Current	\$ 25,985	\$ 45,639	\$ (13,096)
Deferred	(122,291)	(149,734)	(42,625)
	\$ (96,306)	\$ (104,095)	\$ (55,721)
U.S. state:			
Current	\$ 6,755	\$ 12,870	\$ (5,876)
Deferred	(26,602)	(29,160)	(8,132)
	\$ (19,847)	\$ (16,290)	\$ (14,008)
Foreign:			
Current	\$ 217,706	\$ 175,335	\$ 149,012
Deferred	(190,833)	36,439	45,313
	\$ 26,873	\$ 211,774	\$ 194,325
<b>Total</b>	<b>\$ (89,280)</b>	<b>\$ 91,389</b>	<b>\$ 124,596</b>

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

	Fiscal Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
Federal income tax expense at U.S. statutory rate	\$ 252,095	\$ 223,658	\$ 253,429
State income tax (benefit) expense, net of federal tax effect	(23,045)	(21,064)	(12,198)
Foreign-derived intangible income (FDII) deduction	(6,432)	(12,343)	—
Foreign tax rate differential	(129,733)	(114,599)	(117,586)
Other foreign taxes, net of incentives and credits	18,351	24,273	29,240
Withholding tax	24,497	27,041	22,992
Net change in uncertain tax positions	(13,157)	(14,381)	(17,087)
U.S. federal research and development credit	(31,849)	(29,384)	(22,764)
Stock-based compensation	(851)	30	(6,362)
Switzerland deferred tax assets	(181,410)	7,168	(177)
Other, net	2,254	990	(4,891)
<b>Income tax expense</b>	<b>\$ (89,280)</b>	<b>\$ 91,389</b>	<b>\$ 124,596</b>

The Company recorded income tax benefit of \$89,280 in the year ended December 30, 2023, representing an effective tax rate of approximately (7%), which included income tax benefit of \$181,410 recognized by the Company in the fourth quarter of 2023 related to the revaluation of Switzerland deferred tax assets due to an increase in the Schaffhausen cantonal tax rate and income tax benefit of \$12,116 recognized in the fourth quarter of 2023 related to Auto OEM manufacturing tax incentives in Poland. The Company recorded income tax expense of \$91,389 in the year ended December 31, 2022, representing an effective tax rate of approximately 9%, which included income tax expense of \$7,168 recognized by the Company in the fourth quarter of 2022 related to the revaluation of Switzerland deferred tax assets. The Company recorded income tax expense of \$124,596 in the year ended December 25, 2021.

The Company's statutory federal and cantonal income tax rate in Switzerland, the Company's place of incorporation, was approximately 14% in fiscal years 2023, 2022, and 2021. If the Company reconciled taxes at the Swiss holding company federal statutory tax rate to the reported income tax expense for 2023 as presented above, the amounts related to tax at the statutory rate would be approximately \$86,000 lower, or \$166,000, and the foreign tax rate differential would be adjusted by a similar amount to approximately \$38,000. For 2022, the amounts related to tax at the statutory rate would be approximately \$77,000 lower, or \$147,000, and the foreign tax rate differential would be adjusted by a similar amount to approximately \$33,000. For 2021, the amounts related to tax at the statutory rate would be approximately \$84,000 lower, or \$169,000, and the foreign tax rate differential would be adjusted by a similar amount to approximately \$28,000. All other amounts would remain substantially unchanged.

The Company's income before income taxes attributable to non-U.S. operations was \$1,406,916, \$1,287,794, and \$1,227,666, for the years ended December 30, 2023, December 31, 2022, and December 25, 2021, respectively.

Income taxes of \$42,015, \$45,459, and \$50,127 at December 30, 2023, December 31, 2022, and December 25, 2021, respectively, have not been accrued by the Company for the unremitted earnings of several of its foreign subsidiaries because such earnings are intended to be reinvested in the subsidiaries indefinitely.

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

	December 30, 2023	December 31, 2022
Deferred tax assets:		
Capitalized research & development expenses	\$ 385,916	\$ 231,429
Intangible assets	321,500	156,702
Tax credit carryforwards	33,527	19,950
Operating leases	27,987	30,310
Tax basis in excess of book basis for investments	18,939	27,227
Deferred revenue	17,815	18,327
Net operating losses	16,066	4,955
Accrued paid time off	15,591	14,986
Product warranty accruals	12,631	12,111
Stock-based compensation	10,880	8,667
Other	25,231	18,259
Valuation allowance related to loss carryforward and tax credits	(12,870)	(17,077)
	\$ 873,213	\$ 525,846
Deferred tax liabilities:		
Withholding tax	107,352	108,692
Property and equipment	68,557	40,526
Operating leases	27,432	29,756
Book basis in excess of tax basis for acquired entities	18,596	21,970
Prepaid and perpetual license assets	10,051	11,798
Other	1,272	1,998
	\$ 233,260	\$ 214,740
Net deferred tax assets	\$ 639,953	\$ 311,106

Deferred taxes related to intangible assets increased by \$164,798 as of December 30, 2023 as compared to December 31, 2022, primarily related to the revaluation of Switzerland deferred tax assets recognized in the fourth quarter of 2023. Deferred tax assets related to capitalized research and development expenses increased by \$154,487 as of December 30, 2023 as compared to December 31, 2022, primarily related to the 2017 United States Tax Cuts and Jobs Act, which included provisions that became effective during 2022 tax year that require the Company to capitalize certain research and development costs and amortize those capitalized costs on its U.S. tax returns over a period of five or fifteen years, depending on where the associated costs were incurred.

At December 30, 2023, the Company had \$33,527 of tax credit carryover compared to \$19,950 at December 31, 2022. At December 30, 2023, the Company had a deferred tax asset of \$16,066 related to the future tax benefit of net operating loss (NOL) carryforwards of \$55,524. Included in the NOL carryforwards is \$8,319 that relates to various jurisdictions and expires in periods ranging from 2025 through 2037 and \$47,205 that relates to various other jurisdictions and has no expiration date. The Company has recorded a valuation allowance for a portion of its deferred tax asset relating to various tax attributes that management does not believe are more likely than not to be realized. In the future, if the Company determines, based on existence of sufficient evidence, that it should realize more or less of its deferred tax assets, an adjustment to the valuation allowance will be made in the period such a determination is made.

The total amount of gross unrecognized tax benefits as of December 30, 2023 was \$13,571. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits for years ended December 30, 2023, December 31, 2022, and December 25, 2021 is as follows:

	<b>December 30, 2023</b>	<b>December 31, 2022</b>	<b>December 25, 2021</b>
Balance beginning of year	\$ 30,795	\$ 65,216	\$ 84,985
Additions based on tax positions related to prior years	—	—	—
Reductions based on tax positions related to prior years	(3,450)	(6,363)	(4,727)
Additions based on tax positions related to current period	450	2,368	4,272
Reductions related to settlements with tax authorities	—	(15,476)	—
Expiration of statute of limitations	(14,224)	(14,950)	(19,314)
Balance at end of year	<u>\$ 13,571</u>	<u>\$ 30,795</u>	<u>\$ 65,216</u>

Accounting guidance requires unrecognized tax benefits to be classified as noncurrent liabilities, except for the portion that is expected to be paid within one year of the balance sheet date. The balance of net unrecognized benefits of \$12,824, \$29,159, and \$54,443 are classified as noncurrent at December 30, 2023, December 31, 2022, and December 25, 2021, respectively. The net unrecognized tax benefits, if recognized, would reduce the effective tax rate. None of the unrecognized tax benefits are due to uncertainty in the timing of deductibility.

Interest and penalties, if any, accrued on the unrecognized tax benefits are reflected in income tax expense. At December 30, 2023, December 31, 2022, and December 25, 2021, the Company had accrued approximately \$2,127, \$2,751, and \$4,255, respectively, for interest. The interest component of the reserve decreased income tax expense for the years ending December 30, 2023, December 31, 2022, and December 25, 2021 by \$624, \$1,474, and \$1,441, respectively. The Company did not have significant amounts accrued for penalties for the years ending December 30, 2023, December 31, 2022, and December 25, 2021.

The Company files income tax returns in Switzerland, Taiwan, United Kingdom, U.S. federal jurisdiction, as well as various states, local, and other foreign jurisdictions. In its major tax jurisdictions, Switzerland, Taiwan, United Kingdom, and U.S. federal and various states, the Company is no longer subject to income tax examinations by tax authorities, with few exceptions, for years prior to 2019, 2018, 2021, and 2020, respectively.

The Company recognized a reduction of income tax expense, inclusive of interest and net of deferrals, of \$11,473, \$12,749, and \$22,221 in fiscal years ended December 30, 2023, December 31, 2022, and December 25, 2021, respectively, to reflect the expiration of statutes of limitations and releases due to audit settlement in various jurisdictions.

The Company believes that it is reasonably possible that approximately \$3,000 to \$7,000 of its reserves for certain unrecognized tax benefits will decrease within the next 12 months as the result of the expiration of statutes of limitations. This potential decrease in unrecognized tax benefits would impact the Company's effective tax rate within the next 12 months.

## 6. Leases

The following table represents lease costs recognized in the Company's consolidated statements of income for the 52-weeks ended December 30, 2023. Lease costs are included in selling, general and administrative expense and research and development expense on the Company's consolidated statements of income.

	<b>Fiscal Year Ended</b>	
	<b>December 30, 2023</b>	<b>December 31, 2022</b>
Operating lease cost <sup>(1)</sup>	\$ 47,331	\$ 40,679

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

The following table represents the components of leases that are recognized on the Company's consolidated balance sheets as of December 30, 2023 and December 31, 2022.

	<b>December 30, 2023</b>	<b>December 31, 2022</b>
Operating lease right-of-use assets	\$ 143,724	\$ 138,040
Other accrued expenses	\$ 27,776	\$ 25,149
Noncurrent operating lease liabilities	113,035	114,541
Total lease liabilities	\$ 140,811	\$ 139,690
Weighted average remaining lease term	6.6 years	7.3 years
Weighted average discount rate	3.8%	3.3%

The following table represents the maturity of lease liabilities.

<b>Year</b>	<b>Amount</b>
2024	\$ 34,693
2025	28,830
2026	21,772
2027	17,167
2028	15,513
Thereafter	45,301
<b>Total</b>	<b>163,276</b>
Less: imputed interest	(22,465)
<b>Present value of lease liabilities</b>	<b>140,811</b>

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

	<b>Fiscal Year Ended</b>	
	<b>December 30, 2023</b>	<b>December 31, 2022</b>
Cash paid for amounts included in the measurement of operating lease liabilities <sup>(1)</sup>	\$ 34,602	\$ 28,714
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 18,520	\$ 68,188

<sup>(1)</sup> Included in net cash provided by operating activities on the Company's statements of cash flows

## **7. 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 December 30, 2023 that may represent noncancellable unconditional purchase obligations having a remaining term in excess of one year was approximately \$274,000.

Certain cash balances are held as collateral in relation to bank guarantees. The total amount of restricted cash was \$704 and \$718 on December 30, 2023 and December 31, 2022, respectively.

### **Contingencies**

Management of the Company currently does not believe it is reasonably possible that the Company may have incurred a material loss, or a material loss in excess of recorded accruals, with respect to loss contingencies in the aggregate, for the fiscal year ended December 30, 2023. The results of legal proceedings, investigations and claims, however, cannot be predicted with certainty. An adverse resolution of one or more of such matters in excess of management’s expectations could have a material adverse effect in the particular quarter or fiscal year in which a loss is recorded, but based on information currently known, the Company does not believe it is likely that losses from such matters would have a material adverse effect on the Company’s business or its consolidated financial position, results of operations or cash flows.

The Company settled or resolved certain legal matters during the fiscal years ended December 30, 2023, December 31, 2022, and December 25, 2021 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.

## **8. Stockholders' Equity**

### **Dividends**

Under Swiss corporate law, dividends must be approved by shareholders at the annual general meeting of the Company’s shareholders. Approved dividends are subject to possible adjustment based on the total amount of the dividend in Swiss Francs as approved at the annual meeting, and are payable in four equal installments on dates determined by the Board of Directors. A reduction of retained earnings and a corresponding liability are recorded at the time of shareholders’ approval and are periodically adjusted based on the number of applicable shares outstanding.

The Company's shareholders approved the following dividends:

<b>Declaration Date</b>	<b>Dividend Date</b>	<b>Record Date</b>	<b>Dividend Per Share</b>	<b>Payment Amount</b>
<b>Fiscal 2023</b>				
June 9, 2023	June 30, 2023	June 20, 2023	\$ 0.73	\$ 139,595
June 9, 2023	September 29, 2023	September 15, 2023	\$ 0.73	\$ 139,724
June 9, 2023	December 29, 2023	December 15, 2023	\$ 0.73	\$ 139,603
June 9, 2023	March 29, 2024	March 15, 2024	\$ 0.73	\$ 139,997
<b>Total</b>			<b>\$ 2.92</b>	<b>\$ 558,919</b>
<b>Fiscal 2022</b>				
June 10, 2022	June 30, 2022	June 20, 2022	\$ 0.73	\$ 140,825
June 10, 2022	September 30, 2022	September 15, 2022	\$ 0.73	\$ 140,413
June 10, 2022	December 30, 2022	December 15, 2022	\$ 0.73	\$ 139,610
June 10, 2022	March 31, 2023	March 15, 2023	\$ 0.73	\$ 139,847
<b>Total</b>			<b>\$ 2.92</b>	<b>\$ 560,695</b>
<b>Fiscal 2021</b>				
June 4, 2021	June 30, 2021	June 15, 2021	\$ 0.67	\$ 128,741
June 4, 2021	September 30, 2021	September 15, 2021	\$ 0.67	\$ 128,856
June 4, 2021	December 31, 2021	December 15, 2021	\$ 0.67	\$ 128,856
June 4, 2021	March 31, 2022	March 15, 2022	\$ 0.67	\$ 129,394
<b>Total</b>			<b>\$ 2.68</b>	<b>\$ 515,846</b>

The estimated payment amount for the dividend scheduled to be paid on March 29, 2024 was included in dividend payable on the Company's consolidated balance sheets as of December 30, 2023. Approximately \$61,129 of retained earnings was indefinitely restricted from distribution to shareholders pursuant to the laws of Taiwan as of December 30, 2023 and December 31, 2022.

### Share Repurchase Program

On April 22, 2022, the Board of Directors approved a share repurchase program (the "2022 Program") authorizing the Company to repurchase up to \$300,000 of the common shares of Garmin Ltd., exclusive of the cost of any associated excise tax. As of December 30, 2023, the Company had repurchased 3,176,453 shares for \$300,000, leaving \$0 available to repurchase additional shares under the 2022 Program when the share repurchase authorization expired on December 29, 2023. Cash paid for purchases of the Company's shares during fiscal 2023 was \$98,988.

On February 16, 2024, the Board of Directors approved a share repurchase program (the "2024 Program") authorizing the Company to repurchase up to \$300,000 of the common shares of Garmin Ltd., exclusive of the cost of any associated excise tax. The timing and volume of share repurchases are subject to market conditions, business conditions and applicable laws, and are at management's discretion. Share repurchases 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. The 2024 Program does not require the purchase of any minimum number of shares and may be suspended or discontinued at any time. The share repurchase authorization expires on December 26, 2026.

### Share Capital

In the second quarter of 2023, the share capital currency of the Company was changed from the Swiss Franc (CHF) to the U.S. Dollar (USD), as approved by shareholders at the Company's 2023 Annual General Meeting. This aligns the share capital currency with the financial statement presentation currency of the Company. The Company's nominal par value per share of CHF 0.10 was slightly reduced to USD \$0.10, the impact of which is reflected in share capital, captioned as common shares on the Company's consolidated balance sheets. Total stockholders' equity reported for the Company was not affected by this change. The Company's common shares had a par value of USD \$0.10 and CHF 0.10 per share as of December 30, 2023 and December 31, 2022, respectively.

## Treasury Shares

In June 2023, the Company's shareholders approved the cancellation of 2,196,990 shares previously purchased under its share repurchase program. The capital reduction by cancellation of these shares became effective in June 2023. Total stockholders' equity reported for the Company was not affected.

## 9. Accumulated Other Comprehensive Income (Loss)

The following provides required disclosure of changes in accumulated other comprehensive income (loss) balances by component for the year ended December 30, 2023:

	Foreign currency translation adjustment	Net gains (losses) on available-for-sale securities	Total
Balance - beginning of period	\$ (25,981)	\$ (88,552)	\$ (114,533)
Other comprehensive income (loss) before reclassification, net of income tax expense of \$11,046	14,473	34,398	48,871
Amounts reclassified from accumulated other comprehensive income (loss) to other income (expense), net of income tax benefit of \$14 included in income tax provision	—	48	48
Net current-period other comprehensive income (loss)	14,473	34,446	48,919
Balance - end of period	<u>\$ (11,508)</u>	<u>\$ (54,106)</u>	<u>\$ (65,614)</u>

## 10. Employee Stock Compensation and Savings Plans

### Stock Compensation

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

#### 2011 Non-employee Directors' Equity Incentive Plan

In June 2011, the shareholders adopted an equity incentive plan for non-employee directors (the "2011 Directors Plan") providing for grants of stock options, SARs, RSUs and/or performance shares, pursuant to which up to 122,592 shares were made available for issuance. In June 2023, the shareholders approved an increase to the number of shares authorized to 150,000. The term of each award cannot exceed ten years. Awards are subject to a minimum one-year vesting period. In 2023, 2022, and 2021, there were 6,004, 6,008, and 4,180 RSUs granted under this plan, respectively. At December 30, 2023, approximately 33,400 shares were available for future issuance under the 2011 Directors Plan.

#### 2005 Equity Incentive Plan

In June 2005, the shareholders adopted an equity incentive plan (the "2005 Plan") providing for grants of incentive and nonqualified stock options, SARs, RSUs and/or performance shares to employees of the Company and its subsidiaries, pursuant to which up to 10,000,000 common shares were made available for issuance. In 2013, the shareholders approved an increase of an additional 3,000,000 shares to the 2005 Plan, making the total shares authorized under the plan 13,000,000. Option and SAR grants vest evenly over a period of five years or as otherwise determined by the Board of Directors or the Compensation Committee and generally expire ten years from the date of grant, if not exercised. RSUs vest evenly over a period of three years. In addition to time-based vesting requirements, the vesting of certain RSU grants is also contingent upon the Company's achievement of certain financial performance goals. During 2023, 2022, and 2021, there were 1,047,934, 1,185,707, and 866,614 RSUs granted under the 2005 Plan, respectively. No stock options or SARs were granted under the 2005 Plan in 2023, 2022, or 2021. At December 30, 2023, approximately 1,171,977 shares were available for future issuance under the 2005 Plan.

## 2000 Equity Incentive Plan

In October 2000, the shareholders adopted an equity incentive plan (the “2000 Plan”) providing for grants of incentive and nonqualified stock options, SARs, restricted shares and/or performance shares to employees of the Company and its subsidiaries, pursuant to which up to 7,000,000 common shares were made available for issuance. The stock options and SARs vest evenly over a period of five years or as otherwise determined by the Board of Directors or the Compensation Committee and generally expire ten years from the date of grant, if not exercised. The Company did not grant any stock awards from the 2000 Plan in 2023, 2022, or 2021. In February 2023, the Board of Directors approved the termination of the 2000 Plan, which was effective immediately.

## Stock Compensation Activity

A summary of the Company’s stock compensation activity and related information under the 2011 Directors Plan, the 2005 Plan, and the 2000 Plan for the years ended December 30, 2023, December 31, 2022, and December 25, 2021 is provided below:

	Stock Options and SARs	
	Weighted-Average Exercise Price	Number of Shares (In Thousands)
<b>Outstanding at December 26, 2020</b>	\$ 52.44	13
Granted		—
Exercised	\$ 52.44	(13)
Forfeited/Expired		—
<b>Outstanding at December 25, 2021</b>		—
Granted		—
Exercised		—
Forfeited/Expired		—
<b>Outstanding at December 31, 2022</b>		—
Granted		—
Exercised		—
Forfeited/Expired		—
<b>Outstanding at December 30, 2023</b>		—
<b>Exercisable at December 30, 2023</b>		—
<b>Expected to vest after December 30, 2023</b>		—

	Restricted Stock Units	
	Weighted-Average Grant Date Fair Value	Number of Shares (In Thousands)
<b>Outstanding at December 26, 2020</b>	\$ 86.98	1,582
Granted	\$ 116.40	871
Released/Vested	\$ 80.12	(884)
Cancelled	\$ 95.79	(56)
<b>Outstanding at December 25, 2021</b>	\$ 107.60	1,513
Granted	\$ 98.39	1,192
Released/Vested	\$ 102.80	(805)
Cancelled	\$ 111.12	(63)
<b>Outstanding at December 31, 2022</b>	\$ 103.61	1,837
Granted	\$ 105.47	1,054
Released/Vested	\$ 103.61	(749)
Cancelled	\$ 106.09	(456)
<b>Outstanding at December 30, 2023</b>	\$ 104.10	1,686

The weighted-average remaining contract life of restricted stock units at December 30, 2023 was 1.36 years.



The total fair value of awards vested during 2023, 2022, and 2021, was \$77,626, \$82,734, and \$70,796, respectively. The aggregate intrinsic values of options and SARs exercised during 2023, 2022, and 2021 were \$0, \$0, and \$1,040, respectively. The aggregate intrinsic value of RSUs outstanding at December 30, 2023 was \$216,667. The aggregate intrinsic values of RSUs released during 2023, 2022, and 2021 were \$96,301, \$74,278, and \$118,825, respectively. Aggregate intrinsic value of options and SARs represents the applicable number of awards multiplied by the positive difference between the exercise price and the Company's closing share price on the last trading day of the relevant fiscal period. Aggregate intrinsic value of RSUs represents the applicable number of awards multiplied by the Company's closing share price on the last trading day of the relevant fiscal period. The Company's closing share price was \$128.54 on December 30, 2023 (based on the closing share price on December 29, 2023). As of December 30, 2023, there was \$133,648 of total unrecognized compensation cost related to unvested stock-based compensation awards granted to employees under the stock compensation plans. That cost is expected to be recognized over the remaining vesting period.

### **Employee Stock Purchase Plan**

The shareholders have adopted an ESPP. Up to 10,000,000 common shares have been reserved for the ESPP. Shares are offered to employees at a price equal to the lesser of 85% of the fair market value of the Company's shares on the date of purchase or 85% of the fair market value on the first day of the ESPP period. The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code. During 2023, 2022, and 2021, there were 524,774, 687,370, and 385,211 shares purchased under the plan for a total purchase price of \$43,905, \$62,154, and \$34,936, respectively. During 2023, 2022, and 2021, the purchases were issued from treasury shares. At December 30, 2023, approximately 2,262,760 shares were available for future issuance under the ESPP.

### **Savings Plans**

Certain subsidiaries of the Company sponsor various defined contribution employee retirement plans. GIL and the Company's other U.S.-based subsidiaries sponsor a plan under which their employees may contribute up to 50% of their annual compensation subject to Internal Revenue Code maximum limitations and to which the subsidiaries contribute a specified percentage of each participant's annual compensation up to certain limits as defined in the retirement plan. During the years ended December 30, 2023, December 31, 2022, and December 25, 2021, expense related to this and other defined contribution plans of \$84,609, \$80,435, and \$71,262, respectively, was recorded within the Company's consolidated statements of income.

Certain of the Company's non-U.S. subsidiaries sponsor or participate in local defined benefit pension plans. The obligations, contributions, and associated expense of such plans for the years ended December 30, 2023, December 31, 2022, and December 25, 2021 were not material.

## **11. Segment Information and Geographic Data**

Garmin is organized in the five operating segments of fitness, outdoor, aviation, marine, and auto OEM. These operating segments represent the Company's reportable segments.

The Company's Chief Executive Officer, who has been identified as the CODM, primarily uses operating income as the measure of profit or loss to assess segment performance and allocate resources. Operating income represents net sales less costs of goods sold and operating expenses. Net sales are directly attributed to each segment. Most costs of goods sold and the majority of operating expenses are also directly attributed to each segment, while certain other costs of goods sold and operating expenses are allocated to the segments in a reasonable manner considering the specific facts and circumstances of the expenses being allocated. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. There are no inter-segment sales or transfers.

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

As indicated in Note 1 of the Notes to Consolidated Financial Statements, the Company announced an organization realignment in January 2023, which combined the consumer auto operating segment with the outdoor operating segment. As a result, the Company's operating segments, which also represent its reportable segments, are fitness, outdoor, aviation, marine, and auto OEM. Results for the 53-week and 52-week periods ended December 31, 2022 and December 25, 2021, respectively, 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 reportable segments are presented below.

	<u>Fitness</u>	<u>Outdoor</u>	<u>Aviation</u>	<u>Marine</u>	<u>Auto OEM</u>	<u>Total</u>
<b>52-Weeks Ended December 30, 2023</b>						
Net sales	\$ 1,344,637	\$ 1,697,151	\$ 846,329	\$ 916,911	\$ 423,224	\$ 5,228,252
Gross profit	716,906	1,072,861	625,988	491,261	97,939	3,004,955
Operating income (loss)	232,201	515,254	226,400	179,429	(61,124)	1,092,160
<b>53-Weeks Ended December 31, 2022</b>						
Net sales	\$ 1,109,419	\$ 1,770,275	\$ 792,799	\$ 903,983	\$ 283,810	\$ 4,860,286
Gross profit	552,417	1,099,408	573,063	491,457	90,430	2,806,775
Operating income (loss)	104,738	573,281	213,186	215,304	(78,664)	1,027,845
<b>53-Weeks Ended December 25, 2021</b>						
Net sales	\$ 1,533,788	\$ 1,606,664	\$ 712,468	\$ 875,151	\$ 254,724	\$ 4,982,795
Gross profit	813,325	988,662	519,821	495,310	73,341	2,890,459
Operating income (loss)	359,201	524,469	193,188	249,781	(108,019)	1,218,620

Net sales, property and equipment, and net assets by geographic area are as shown below for the fiscal years ended December 30, 2023, December 31, 2022, and December 25, 2021. Note that APAC includes Asia Pacific and Australian Continent, and EMEA includes Europe, the Middle East and Africa.

	<u>Americas</u>	<u>EMEA</u>	<u>APAC</u>	<u>Total</u>
<b>December 30, 2023</b>				
Net sales to external customers <sup>(1)</sup>	\$ 2,614,358	\$ 1,775,965	\$ 837,929	\$ 5,228,252
Property and equipment, net	736,218	141,388	346,491	1,224,097
Net assets <sup>(2)</sup>	4,377,450	1,297,580	1,339,275	7,014,305
<b>December 31, 2022</b>				
Net sales to external customers <sup>(1)</sup>	\$ 2,429,029	\$ 1,633,640	\$ 797,617	\$ 4,860,286
Property and equipment, net	676,855	121,920	348,230	1,147,005
Net assets <sup>(2)</sup>	3,717,198	1,210,461	1,276,681	6,204,340
<b>December 25, 2021</b>				
Net sales to external customers <sup>(1)</sup>	\$ 2,349,514	\$ 1,858,908	\$ 774,373	\$ 4,982,795
Property and equipment, net	576,481	120,004	370,993	1,067,478
Net assets <sup>(2)</sup>	3,745,120	1,227,928	1,141,111	6,114,159

<sup>(1)</sup> The United States is the only country which constitutes greater than 10% of net sales to external customers.

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