

GARMIN LTD  
Form 10-Q  
November 05, 2008

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

**FORM 10-Q**

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

For the quarterly period ended September 27, 2008

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-31983

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**GARMIN LTD.**

(Exact name of Company as specified in its charter)

**Cayman Islands**

(State or other jurisdiction  
of incorporation or organization)

**P.O. Box 10670, Grand Cayman KY1-1006  
Suite 3206B, 45 Market Street, Gardenia Court**

**Camana Bay, Cayman Islands**

(Address of principal executive offices)

**98-0229227**

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

N/A

(Zip Code)

Company's telephone number, including area code: **(345) 640-9050**

**No Changes**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

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

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Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer

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

Number of shares outstanding of the Company's common shares as of November 3, 2008  
Common Shares, \$.005 par value: 202,540,334

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**Garmin Ltd.**  
**Form 10-Q**  
**Quarter Ended September 27, 2008**

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**Garmin Ltd.**  
**Form 10-Q**  
**Quarter Ended September 27, 2008**

**Part I – Financial Information**

**Item 1. Condensed Consolidated Financial Statements (Unaudited)**

**Introductory Comments**

The Condensed Consolidated Financial Statements of Garmin Ltd. ("Garmin" or the "Company") included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to enable a reasonable understanding of the information presented. These Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and the notes thereto for the year ended December 29, 2007. Additionally, the Condensed Consolidated Financial Statements should be read in conjunction with Item 2 of Management's Discussion and Analysis of Financial Condition and Results of Operations, included in this Form 10-Q.

The results of operations for the 13-week and 39-week periods ended September 27, 2008 are not necessarily indicative of the results to be expected for the full year 2008.

**Garmin Ltd. And Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
(In thousands, except share information)

|  | (Unaudited)<br>September 27,<br>2008 | December 29,<br>2007 |
|--|--------------------------------------|----------------------|
| <b>Assets</b>  |                                      |                      |
| Current assets:  |                                      |                      |
| Cash and cash equivalents  | \$ 521,540                           | \$ 707,689           |
| Marketable securities  | 18,048                               | 37,551               |
| Accounts receivable, net   | 678,750                              | 952,513              |
| Inventories, net   | 698,927                              | 505,467              |
| Deferred income taxes  | 87,109                               | 107,376              |
| Prepaid expenses and other current assets  | 32,204                               | 22,179               |
| <b>Total current assets</b>  | <b>2,036,578</b>                     | <b>2,332,775</b>     |
| Property and equipment, net  | 453,419                              | 374,147              |
| Marketable securities  | 309,492                              | 386,954              |
| Restricted cash  | 1,452                                | 1,554                |
| Licensing agreements, net  | 6,483                                | 14,672               |
| Other intangible assets, net   | 207,889                              | 181,358              |
| <b>Total assets</b>  | <b>\$ 3,015,313</b>                  | <b>\$ 3,291,460</b>  |
| <b>Liabilities and Stockholders' Equity</b>  |                                      |                      |
| Current liabilities:   |                                      |                      |
| Accounts payable   | \$ 217,122                           | \$ 341,053           |
| Salaries and benefits payable  | 41,633                               | 31,696               |
| Accrued warranty costs   | 81,291                               | 71,636               |
| Other accrued expenses   | 154,102                              | 280,603              |
| Income taxes payable   | 50,994                               | 76,895               |
| Dividend payable   | 151,900                              | -                    |
| <b>Total current liabilities</b>   | <b>697,042</b>                       | <b>801,883</b>       |
| Deferred income taxes  | 11,298                               | 11,935               |
| Non-current taxes  | 166,075                              | 126,593              |
| Other liabilities  | 1,058                                | 435                  |
| Stockholders' equity:  |                                      |                      |
| Common stock, \$0.005 par value, 1,000,000,000 shares authorized:  |                                      |                      |
| Issued and outstanding shares - 202,533,000 as of September 27, 2008 and 216,980,000 as of December 29, 2007 | 1,511                                | 1,086                |
| Additional paid-in capital   | -                                    | 132,264              |
| Retained earnings  | 2,139,214                            | 2,171,134            |
| Accumulated other comprehensive income/(loss)  | (885)                                | 46,130               |

|  |    |           |    |           |
|--|----|-----------|----|-----------|
| Total stockholders' equity                 |    | 2,139,840 |    | 2,350,614 |
| Total liabilities and stockholders' equity | \$ | 3,015,313 | \$ | 3,291,460 |

See accompanying notes

|  |    | (Unaudited)<br>September 27,<br>2008 |    | December 29,<br>2007 |
|--|----|--------------------------------------|----|----------------------|
| <b>Assets</b>  |    |                                      |    |                      |
| Current assets:  |    |                                      |    |                      |
| Cash and cash equivalents  | \$ | 521,540                              | \$ | 707,689              |
| Marketable securities  |    | 18,048                               |    | 37,551               |
| Accounts receivable, net   |    | 678,750                              |    | 952,513              |
| Inventories, net   |    | 698,927                              |    | 505,467              |
| Deferred income taxes  |    | 87,109                               |    | 107,376              |
| Prepaid expenses and other current assets  |    | 32,204                               |    | 22,179               |
| Total current assets   |    | 2,036,578                            |    | 2,332,775            |
| Property and equipment, net  |    | 453,419                              |    | 374,147              |
| Marketable securities  |    | 309,492                              |    | 386,954              |
| Restricted cash  |    | 1,452                                |    | 1,554                |
| Licensing agreements, net  |    | 6,483                                |    | 14,672               |
| Other intangible assets, net   |    | 207,889                              |    | 181,358              |
| Total assets   | \$ | 3,015,313                            | \$ | 3,291,460            |
| <b>Liabilities and Stockholders' Equity</b>  |    |                                      |    |                      |
| Current liabilities:   |    |                                      |    |                      |
| Accounts payable   | \$ | 217,122                              | \$ | 341,053              |
| Salaries and benefits payable  |    | 41,633                               |    | 31,696               |
| Accrued warranty costs   |    | 81,291                               |    | 71,636               |
| Other accrued expenses   |    | 154,102                              |    | 280,603              |
| Income taxes payable   |    | 50,994                               |    | 76,895               |
| Dividend payable   |    | 151,900                              |    | -                    |
| Total current liabilities  |    | 697,042                              |    | 801,883              |
| Deferred income taxes  |    | 11,298                               |    | 11,935               |
| Non-current taxes  |    | 166,075                              |    | 126,593              |
| Other liabilities  |    | 1,058                                |    | 435                  |
| Stockholders' equity:  |    |                                      |    |                      |
| Common stock, \$0.005 par value, 1,000,000,000 shares authorized:  |    |                                      |    |                      |
| Issued and outstanding shares - 202,533,000 as of September 27, 2008 and 216,980,000 as of December 29, 2007 |    | 1,511                                |    | 1,086                |
| Additional paid-in capital   |    | -                                    |    | 132,264              |

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|   |              |              |
|---|--------------|--------------|
| Retained earnings                             | 2,139,214    | 2,171,134    |
| Accumulated other comprehensive income/(loss) | (885)        | 46,130       |
| Total stockholders' equity                    | 2,139,840    | 2,350,614    |
| Total liabilities and stockholders' equity    | \$ 3,015,313 | \$ 3,291,460 |

See accompanying notes.

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

|   | 13-Weeks Ended        |                       | 39-Weeks Ended        |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 27,<br>2008 | September 29,<br>2007 | September 27,<br>2008 | September 29,<br>2007 |
| Net sales                                   | \$ 870,355            | \$ 728,673            | \$ 2,445,830          | \$ 1,963,298          |
| Cost of goods sold                          | 484,716               | 386,822               | 1,322,948             | 1,009,028             |
| Gross profit                                | 385,639               | 341,851               | 1,122,882             | 954,270               |
| Selling, general and administrative expense | 118,527               | 87,060                | 341,380               | 248,358               |
| Research and development expense            | 52,749                | 40,634                | 155,904               | 111,863               |
|   | 171,276               | 127,694               | 497,284               | 360,221               |
| Operating income                            | 214,363               | 214,157               | 625,598               | 594,049               |
| Other income (expense):                     |                       |                       |                       |                       |
| Interest income                             | 8,770                 | 11,798                | 26,830                | 31,997                |
| Foreign currency                            | (12,744)              | (3,626)               | 4,818                 | 3,493                 |
| Gain on sale of equity securities           | -                     | -                     | 50,949                | -                     |
| Other                                       | 1,023                 | 297                   | 1,824                 | 631                   |
|   | (2,951)               | 8,469                 | 84,421                | 36,121                |
| Income before income taxes                  | 211,412               | 222,626               | 710,019               | 630,170               |
| Income tax provision                        | 40,168                | 29,119                | 134,904               | 82,426                |
| Net income                                  | \$ 171,244            | \$ 193,507            | \$ 575,115            | \$ 547,744            |
| Net income per share:                       |                       |                       |                       |                       |
| Basic                                       | \$ 0.83               | \$ 0.89               | \$ 2.71               | \$ 2.53               |
| Diluted                                     | \$ 0.82               | \$ 0.88               | \$ 2.68               | \$ 2.50               |
| Weighted average common shares outstanding: |                       |                       |                       |                       |
| Basic                                       | 206,634               | 216,773               | 212,299               | 216,456               |
| Diluted                                     | 208,107               | 220,644               | 214,252               | 219,482               |

See accompanying notes.

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

|   | <b>39-Weeks Ended</b>         |                               |
|---|-------------------------------|-------------------------------|
|   | <b>September 27,<br/>2008</b> | <b>September 29,<br/>2007</b> |
| <b>Operating Activities:</b>  |                               |                               |
| Net income  | \$ 575,115                    | \$ 547,744                    |
| Adjustments to reconcile net income to net cash provided by operating activities: |                               |                               |
| Depreciation  | 33,797                        | 22,786                        |
| Amortization  | 20,823                        | 18,803                        |
| Loss (gain) on sale of property and equipment                                     | (243)                         | 71                            |
| Provision for doubtful accounts   | 4,289                         | 3,467                         |
| Deferred income taxes   | 28,623                        | (1,157)                       |
| Unrealized foreign currency losses  | 11,266                        | 3,232                         |
| Provision for obsolete and slow moving inventories                                | 29,439                        | 21,502                        |
| Stock compensation expense  | 28,815                        | 8,830                         |
| Realized gains on marketable securities   | (50,884)                      | -                             |
| Changes in operating assets and liabilities, net of acquisitions:                 |                               |                               |
| Accounts receivable   | 302,012                       | (90,497)                      |
| Inventories   | (196,471)                     | (234,920)                     |
| Other current assets  | (977)                         | 4,510                         |
| Accounts payable  | (175,715)                     | 117,034                       |
| Other current and non-current liabilities   | (95,588)                      | 147,608                       |
| Income taxes payable  | 1,593                         | 9,486                         |
| Purchase of licenses  | (3,191)                       | (22,594)                      |
| Net cash provided by operating activities   | 512,703                       | 555,905                       |
| <b>Investing activities:</b>  |                               |                               |
| Purchases of property and equipment   | (110,480)                     | (128,893)                     |
| Proceeds from sale of property and equipment                                      | 8                             | 4                             |
| Purchase of intangible assets   | (4,061)                       | (2,481)                       |
| Purchase of marketable securities   | (366,336)                     | (983,716)                     |
| Redemption of marketable securities   | 444,102                       | 1,141,431                     |
| Change in restricted cash   | 106                           | (56)                          |
| Acquisitions, net of cash acquired  | (50,497)                      | (84,126)                      |
| Net cash used in investing activities   | (87,158)                      | (57,837)                      |
| <b>Financing activities:</b>  |                               |                               |
| Proceeds from issuance of common stock  | 7,703                         | 15,358                        |
| Stock repurchase  | (624,688)                     | -                             |
| Dividends   | -                             | (162,531)                     |
| Payments on long term debt  | -                             | (218)                         |
| Tax benefit related to stock option exercise                                      | 2,309                         | 15,776                        |
| Net cash used in financing activities   | (614,676)                     | (131,617)                     |
| Effect of exchange rate changes on cash and cash equivalents                      | 2,982                         | (25)                          |

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|  |            |            |
|--|------------|------------|
| Net (decrease)/increase in cash and cash equivalents | (186,149)  | 366,428    |
| Cash and cash equivalents at beginning of period     | 707,689    | 337,321    |
| Cash and cash equivalents at end of period           | \$ 521,540 | \$ 703,749 |

See accompanying notes.

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**Garmin Ltd. and Subsidiaries****Notes to Condensed Consolidated Financial Statements (Unaudited)****September 27, 2008****(In thousands, except share and per share information)****1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the 13-week and 26-week periods ended September 27, 2008 are not necessarily indicative of the results that may be expected for the year ending December 27, 2008.

The condensed consolidated balance sheet at December 29, 2007 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 29, 2007.

The Company's fiscal year is based on a 52-53 week period ending on the last Saturday of the calendar year. Therefore the financial results of certain fiscal years, and the associated 14-week quarters, will not be exactly comparable to the prior and subsequent 52-week fiscal years and the associated quarters having only 13-weeks. The quarters ended September 27, 2008 and September 29, 2007 both contain operating results for 13-weeks for both quarter-to-date periods.

**2. Inventories**

The components of inventories consist of the following:

|                            | <b>September 27, 2008</b> | <b>December 29, 2007</b> |
|----------------------------|---------------------------|--------------------------|
| Raw Materials              | \$ 150,663                | \$ 130,056               |
| Work-in-process            | 44,968                    | 57,622                   |
| Finished goods             | 531,332                   | 343,670                  |
| Inventory Reserves         | (28,036)                  | (25,881)                 |
| Inventory, net of reserves | \$ 698,927                | \$ 505,467               |

**3. Stock Purchase Plan**

On June 6, 2008 the Board of Directors approved a share repurchase program authorizing the Company to repurchase up to 10,000,000 common shares of Garmin Ltd. and adopted a Rule 10b5-1 plan covering 5,000,000 of such shares. The repurchases may be made from time to time as market and business conditions warrant on the open market or in negotiated transactions in compliance with the SEC's Rule 10b-18. The timing and amounts of any repurchases will be determined by the company's management depending on market conditions and other factors including price, regulatory requirements and capital availability. The 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

31, 2009. During the third quarter, the Company repurchased 8,158,000 shares using cash of \$306,217. There remain approximately 200,000 shares available for repurchase under this authorization given the 1,600,000 purchased in second quarter.

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#### 4. Earnings Per Share

The following table sets forth the computation of basic and diluted net income per share (in thousands, except per share information):

|  | <b>13-Weeks Ended</b>         |                               |
|--|-------------------------------|-------------------------------|
|  | <b>September 27,<br/>2008</b> | <b>September 29,<br/>2007</b> |
| <b>Numerator:</b>  |                               |                               |
| Numerator for basic and diluted net income per share - net income                      | \$ 171,244                    | \$ 193,507                    |
| <b>Denominator:</b>  |                               |                               |
| Denominator for basic net income per share – weighted-average common shares            | 206,634                       | 216,773                       |
| Effect of dilutive securities – employee stock options and stock appreciation rights   | 1,473                         | 3,871                         |
| Denominator for diluted net income per share – adjusted weighted-average common shares | 208,107                       | 220,644                       |
| Basic net income per share   | \$ 0.83                       | \$ 0.89                       |
| Diluted net income per share   | \$ 0.82                       | \$ 0.88                       |

|  | <b>39-Weeks Ended</b>         |                               |
|--|-------------------------------|-------------------------------|
|  | <b>September 27,<br/>2008</b> | <b>September 29,<br/>2007</b> |
| <b>Numerator:</b>  |                               |                               |
| Numerator for basic and diluted net income per share - net income                      | \$ 575,115                    | \$ 547,744                    |
| <b>Denominator:</b>  |                               |                               |
| Denominator for basic net income per share – weighted-average common shares            | 212,299                       | 216,456                       |
| Effect of dilutive securities – employee stock options and stock appreciation rights   | 1,953                         | 3,026                         |
| Denominator for diluted net income per share – adjusted weighted-average common shares | 214,252                       | 219,482                       |
| Basic net income per share   | \$ 2.71                       | \$ 2.53                       |
| Diluted net income per share   | \$ 2.68                       | \$ 2.50                       |

There were 6,497,596 anti-dilutive options for the 13-week period ended September 27, 2008. There were 13,615 anti-dilutive options for the 13-week period ended September 29, 2007.

There were 5,655,282 anti-dilutive options for the 39-week period ended September 27, 2008. There were 605,174 anti-dilutive options for the 39-week period ended September 29, 2007.

There were 42,109 shares issued as a result of exercises of stock appreciation rights and stock options for the 13-week period ended September 27, 2008.

There were 171,819 shares issued as a result of exercises of stock appreciation rights and stock options for the 39-week period ended September 27, 2008.

On June 6, 2008, the Company's Board of Directors approved an annual cash dividend of \$0.75 per share. The dividend is payable to shareholders of record on December 1, 2008 and will be paid on December 15, 2008.

## 5. Comprehensive Income

Comprehensive income is comprised of the following (in thousands):

|   | <b>13-Weeks Ended</b>         |                               |
|---|-------------------------------|-------------------------------|
|   | <b>September 27,<br/>2008</b> | <b>September 29,<br/>2007</b> |
| Net income  | \$ 171,244                    | \$ 193,507                    |
| Translation adjustment  | (46,610)                      | 9,981                         |
| Change in fair value of available-for-sale marketable securities, net of deferred taxes | (4,144)                       | 1,781                         |
| Comprehensive income  | \$ 120,490                    | \$ 205,269                    |

|   | <b>39-Weeks Ended</b>         |                               |
|---|-------------------------------|-------------------------------|
|   | <b>September 27,<br/>2008</b> | <b>September 29,<br/>2007</b> |
| Net income  | \$ 575,115                    | \$ 547,744                    |
| Translation adjustment  | 14,394                        | (555)                         |
| Change in fair value of available-for-sale marketable securities, net of deferred taxes | (61,409)                      | 3,061                         |
| Comprehensive income  | \$ 528,100                    | \$ 550,250                    |

## 6. Segment Information

Net sales, operating income, and income before taxes for each of the Company's reportable segments are presented below:



**Garmin Ltd. And Subsidiaries**  
**Revenue, Gross Profit, and Operating Income by Segment (Unaudited)**

|  | Reporting Segments  |            |                 |            | Total        |
|--|---------------------|------------|-----------------|------------|--------------|
|  | Outdoor/<br>Fitness | Marine     | Auto/<br>Mobile | Aviation   |              |
| <b>13-Weeks Ended September 27, 2008</b> |                     |            |                 |            |              |
| Net sales                                | \$ 118,614          | \$ 44,048  | \$ 626,506      | \$ 81,187  | \$ 870,355   |
| Gross profit                             | \$ 74,487           | \$ 21,714  | \$ 236,339      | \$ 53,099  | \$ 385,639   |
| Operating income                         | \$ 52,136           | \$ 10,606  | \$ 124,359      | \$ 27,262  | \$ 214,363   |
| <b>13-Weeks Ended September 29, 2007</b> |                     |            |                 |            |              |
| Net sales                                | \$ 87,747           | \$ 47,659  | \$ 518,939      | \$ 74,328  | \$ 728,673   |
| Gross profit                             | \$ 46,553           | \$ 25,170  | \$ 221,148      | \$ 48,980  | \$ 341,851   |
| Operating income                         | \$ 30,178           | \$ 15,623  | \$ 141,855      | \$ 26,501  | \$ 214,157   |
| <b>39-Weeks Ended September 27, 2008</b> |                     |            |                 |            |              |
| Net sales                                | \$ 308,255          | \$ 171,232 | \$ 1,710,248    | \$ 256,095 | \$ 2,445,830 |
| Gross profit                             | \$ 179,834          | \$ 94,296  | \$ 675,953      | \$ 172,799 | \$ 1,122,882 |
| Operating income                         | \$ 116,892          | \$ 52,510  | \$ 361,190      | \$ 95,006  | \$ 625,598   |
| <b>39-Weeks Ended September 29, 2007</b> |                     |            |                 |            |              |
| Net sales                                | \$ 225,437          | \$ 170,433 | \$ 1,343,460    | \$ 223,968 | \$ 1,963,298 |
| Gross profit                             | \$ 123,616          | \$ 92,704  | \$ 591,400      | \$ 146,550 | \$ 954,270   |
| Operating income                         | \$ 79,986           | \$ 60,033  | \$ 370,448      | \$ 83,582  | \$ 594,049   |

Allocation of certain research and development expenses, and selling, general, and administrative expenses are made to each segment on a percent of revenue basis.

Net Sales and long-lived assets (property and equipment) by geographic area are as follows as of and for the 39-week periods ended September 27, 2008 and September 29, 2007:

|                                 | North        |            |            | Total        |
|---------------------------------|--------------|------------|------------|--------------|
|                                 | America      | Asia       | Europe     |              |
| <b>September 27, 2008</b>       |              |            |            |              |
| Net sales to external customers | \$ 1,572,042 | \$ 108,962 | \$ 764,826 | \$ 2,445,830 |
| Long lived assets               | \$ 220,246   | \$ 176,194 | \$ 56,979  | \$ 453,419   |
| <b>September 29, 2007</b>       |              |            |            |              |
| Net sales to external customers | \$ 1,231,341 | \$ 100,900 | \$ 631,057 | \$ 1,963,298 |
| Long lived assets               | \$ 169,828   | \$ 143,895 | \$ 44,855  | \$ 358,578   |

**7. Warranty Reserves**

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

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|   | <b>13-Weeks Ended</b>         |                               |
|---|-------------------------------|-------------------------------|
|   | <b>September 27,<br/>2008</b> | <b>September 29,<br/>2007</b> |
| Balance - beginning of the period           | \$ 83,918                     | \$ 49,725                     |
| Accrual for products sold during the period | 21,659                        | 28,379                        |
| Expenditures                                | (24,286)                      | (22,879)                      |
| Balance - end of the period                 | \$ 81,291                     | \$ 55,225                     |

|   | <b>39-Weeks Ended</b>         |                               |
|---|-------------------------------|-------------------------------|
|   | <b>September 27,<br/>2008</b> | <b>September 29,<br/>2007</b> |
| Balance - beginning of the period           | \$ 71,636                     | \$ 37,639                     |
| Accrual for products sold during the period | 94,646                        | 65,979                        |
| Expenditures                                | (84,991)                      | (48,393)                      |
| Balance - end of the period                 | \$ 81,291                     | \$ 55,225                     |

## 8. Commitments

Pursuant to certain supply agreements, the Company is contractually committed to make purchases of approximately \$47.5 million over the next 3 years.

## 9. Income Taxes

Our earnings before taxes decreased 5.0% when compared to the same quarter in 2007, yet our income tax expense increased by \$11.1 million, to \$40.2 million, for the 13-week period ended September 27, 2008, from \$29.1 million for the 13-week period ended September 29, 2007, due to a higher effective tax rate. The effective tax rate was 19.0% for both the 13-weeks and 39-weeks ended September 27, 2008 compared to 13.1% for both the 13-weeks and 39-weeks ended September 29, 2007. The higher tax rate in 2008 when compared to 2007 was driven by a change in tax law related to the repatriation of earnings from our Taiwan subsidiary and the unfavorable mix of taxable income among Company entities.

## 10. Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("SFAS No. 157"). SFAS No. 157 establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. This statement is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company adopted SFAS No. 157 effective December 30, 2007.

SFAS No. 157 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). SFAS No. 157 classifies the inputs used to measure fair value into the following hierarchy:

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

Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or

Unadjusted quoted prices for identical or similar assets

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.

Assets and liabilities measured at estimated fair value on a recurring basis are summarized below:

| Description                    | Fair Value Measurements as<br>of September 27, 2008 |            |         |           |
|--------------------------------|---|------------|---------|-----------|
|                                | Total   | Level 1    | Level 2 | Level 3   |
| Available for-sale securities  | \$ 244,400  | \$ 244,400 | -       | -         |
| Failed Auction rate securities | 83,140  | -          | -       | 83,140    |
| Total                          | \$ 327,540  | \$ 244,400 | \$ -    | \$ 83,140 |

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, SFAS No. 157 requires a reconciliation of the beginning and ending balances, separately for each major category of assets. The reconciliation is as follows:

|  | Fair Value Measurements Using<br>Significant Unobservable Inputs (Level 3) |                                 |
|--|--|---------------------------------|
|  | 13-Weeks Ended<br>Sept 27, 2008  | 39-Weeks Ended<br>Sept 27, 2008 |
| Beginning balance of auction rate securities                   | \$ 85,469  | \$ 0                            |
| Total unrealized losses included in other comprehensive income | (2,329)  | (9,710)                         |
| Purchases in and/or out of Level 3                             | -  | 92,850                          |
| Transfers in and/or out of Level 3                             | -  | -                               |
| Ending balance of auction rate securities                      | \$ 83,140  | \$ 83,140                       |

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements ("SFAS 160"). SFAS 160 outlines the accounting and reporting for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. The statement is effective for fiscal years beginning on or after December 15, 2008. We do not expect the adoption of SFAS No. 160 to have a material impact on our financial reporting and disclosure.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations ("SFAS 141R"). This standard establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the

goodwill acquired. SFAS 141R also establishes disclosure requirements that will enable users to evaluate the nature and financial effects of the business combination. The statement is effective for financial statements issued for fiscal years beginning on or after December 15, 2008 and interim periods within those fiscal years. The Company will determine the impact of adopting SFAS 141R on its consolidated financial statements should applicable transactions occur in the future.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities (“SFAS No. 161”). This statement will require holders of derivative instruments to provide qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses from derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. This statement is effective for interim and annual periods beginning after November 15, 2008. The company is not currently the holder of any derivative instruments; thus, currently adoption of this statement would not have any effect on the Company’s results of operations, financial condition, or cash flows.

**11. Acquisitions**

In the first quarter of 2008, Garmin Ltd. acquired Fairpoint Navigation A/S (the distributor of Garmin’s consumer products in Denmark). The company has been renamed Garmin Danmark A/S.

In the second quarter of 2008, Garmin Ltd. acquired Formar Electronics N.V./S.A. (the distributor of Garmin’s consumer products in Belgium and Luxembourg). The company has been renamed Garmin Belux N.V./S.A.

In the third quarter of 2008, Garmin Ltd. acquired NavCor Oy, the distributor of Garmin’s consumer products in Finland; Puls Elektronik GmbH, the distributor of Garmin’s consumer products in Austria; and Satsignal Equipamentos de Comunicações e de Navegação S.A., the distributor of Garmin’s consumer products in Portugal. NavCor Oy has been renamed Garmin Suomi Oy. Puls Elektronik GmbH has been renamed Garmin Austria GmbH.

In aggregate, these acquisitions are not considered to be material; therefore supplemental pro forma information is not presented.

**12. Subsequent Events**

On October 3, 2008, Garmin Ltd. announced its intent to acquire Sportsmanship International AB, the distributor of Garmin’s consumer products in Sweden. This acquisition is not expected to be material.

On October 22, 2008, the Board of Directors approved a share repurchase program authorizing the Company to repurchase up to \$300 million of the common shares of Garmin Ltd. This repurchase is in addition to outstanding shares under the June 2008 plan described in Note 3. The repurchases may be made from time to time as market and business conditions warrant on the open market or in negotiated transactions in compliance with the SEC’s Rule 10b-18. The timing and amounts of any repurchases will be determined by the company’s management depending on market conditions and other factors including price, regulatory requirements and capital availability. The 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 31, 2009.

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

The discussion set forth below, as well as other portions of this Quarterly Report, contains statements concerning potential future events. Such forward-looking statements are based upon assumptions by our management, as of the date of this Quarterly Report, including assumptions about risks and uncertainties faced by the Company. Readers can identify these forward-looking statements by their use of such verbs as expects, anticipates, believes or similar verbs or conjugations of such verbs. If any of our assumptions prove incorrect or should unanticipated circumstances arise, our actual results could materially differ from those anticipated by such forward-looking statements. The differences could be caused by a number of factors or combination of factors including, but not limited to, those factors identified in the Company's Annual Report on Form 10-K for the year ended December 29, 2007. This report has been filed with the Securities and Exchange Commission (the "SEC" or the "Commission") in Washington, D.C. and can be obtained by contacting the SEC's public reference operations or obtaining it through the SEC's web site on the World Wide Web at <http://www.sec.gov>. Readers are strongly encouraged to consider those factors when evaluating any forward-looking statement concerning the Company. The Company will not update any forward-looking statements in this Quarterly Report to reflect future events or developments.

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto included in this Form 10-Q and the audited financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 29, 2007.

The Company is a leading worldwide provider of navigation, communications and information devices, most of which are enabled by Global Positioning System, or GPS, technology. We operate in four business segments, the outdoor/fitness, marine, automotive/mobile and aviation markets. Our segments offer products through our network of independent dealers and distributors. However, the nature of products and types of customers for the four segments may vary significantly. As such, the segments are managed separately.

**Results of Operations**

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

|                                     | <b>13-Weeks Ended</b>     |                           |
|-------------------------------------|---------------------------|---------------------------|
|                                     | <b>September 27, 2008</b> | <b>September 29, 2007</b> |
| Net sales                           | 100.0%                    | 100.0%                    |
| Cost of goods sold                  | 55.7%                     | 53.1%                     |
| Gross profit                        | 44.3%                     | 46.9%                     |
| Research and development            | 6.1%                      | 5.6%                      |
| Selling, general and administrative | 13.6%                     | 11.9%                     |
| Total operating expenses            | 19.7%                     | 17.5%                     |
| Operating income                    | 24.6%                     | 29.4%                     |
| Other income (expense), net         | -0.3%                     | 1.2%                      |
| Income before income taxes          | 24.3%                     | 30.6%                     |
| Provision for income taxes          | 4.6%                      | 4.0%                      |
| Net income                          | 19.7%                     | 26.6%                     |

|                                     | <b>39-Weeks Ended</b>     |                           |
|-------------------------------------|---------------------------|---------------------------|
|                                     | <b>September 27, 2008</b> | <b>September 29, 2007</b> |
| Net sales                           | 100.0%                    | 100.0%                    |
| Cost of goods sold                  | 54.1%                     | 51.4%                     |
| Gross profit                        | 45.9%                     | 48.6%                     |
| Research and development            | 6.3%                      | 5.7%                      |
| Selling, general and administrative | 14.0%                     | 12.6%                     |
| Total operating expenses            | 20.3%                     | 18.3%                     |
| Operating income                    | 25.6%                     | 30.3%                     |
| Other income (expense), net         | 3.6%                      | 1.8%                      |
| Income before income taxes          | 29.0%                     | 32.1%                     |
| Provision for income taxes          | 5.5%                      | 4.2%                      |
| Net income                          | 23.5%                     | 27.9%                     |

The company manages its operations in four segments: outdoor/fitness, marine, automotive/mobile, and aviation, and each of its segments employs the same accounting policies. Allocation of certain research and development expenses, and selling, general, and administrative expenses are made to each segment on a percent of revenue basis. The following table sets forth our results of operations (in thousands) including revenue, gross profit, and operating profit for each of our four segments during the periods shown. For each line item in the table, the total of the outdoor/fitness, marine, automotive/mobile, and aviation segments' amounts equals the amount in the condensed consolidated statements of income included in Item 1.



**Garmin Ltd. And Subsidiaries**  
**Revenue, Gross Profit, and Operating Income by Segment (Unaudited)**

|  | Reporting Segments  |            |                 |            | Total        |
|--|---------------------|------------|-----------------|------------|--------------|
|  | Outdoor/<br>Fitness | Marine     | Auto/<br>Mobile | Aviation   |              |
| <b>13-Weeks Ended September 27, 2008</b> |                     |            |                 |            |              |
| Net sales                                | \$ 118,614          | \$ 44,048  | \$ 626,506      | \$ 81,187  | \$ 870,355   |
| Gross profit                             | \$ 74,487           | \$ 21,714  | \$ 236,339      | \$ 53,099  | \$ 385,639   |
| Operating income                         | \$ 52,136           | \$ 10,606  | \$ 124,359      | \$ 27,262  | \$ 214,363   |
| <b>13-Weeks Ended September 29, 2007</b> |                     |            |                 |            |              |
| Net sales                                | \$ 87,747           | \$ 47,659  | \$ 518,939      | \$ 74,328  | \$ 728,673   |
| Gross profit                             | \$ 46,553           | \$ 25,170  | \$ 221,148      | \$ 48,980  | \$ 341,851   |
| Operating income                         | \$ 30,178           | \$ 15,623  | \$ 141,855      | \$ 26,501  | \$ 214,157   |
| <b>39-Weeks Ended September 27, 2008</b> |                     |            |                 |            |              |
| Net sales                                | \$ 308,255          | \$ 171,232 | \$ 1,710,248    | \$ 256,095 | \$ 2,445,830 |
| Gross profit                             | \$ 179,834          | \$ 94,296  | \$ 675,953      | \$ 172,799 | \$ 1,122,882 |
| Operating income                         | \$ 116,892          | \$ 52,510  | \$ 361,190      | \$ 95,006  | \$ 625,598   |
| <b>39-Weeks Ended September 29, 2007</b> |                     |            |                 |            |              |
| Net sales                                | \$ 225,437          | \$ 170,433 | \$ 1,343,460    | \$ 223,968 | \$ 1,963,298 |
| Gross profit                             | \$ 123,616          | \$ 92,704  | \$ 591,400      | \$ 146,550 | \$ 954,270   |
| Operating income                         | \$ 79,986           | \$ 60,033  | \$ 370,448      | \$ 83,582  | \$ 594,049   |

**Comparison of 13-Weeks Ended September 27, 2008 and September 29, 2007****Net Sales**

|                   | 13-weeks ended September 27, 2008 |               | 13-weeks ended September 29, 2007 |               | Quarter over Quarter |              |
|-------------------|-----------------------------------|---------------|-----------------------------------|---------------|----------------------|--------------|
|                   | Net Sales                         | % of Revenues | Net Sales                         | % of Revenues | \$ Change            | % Change     |
| Outdoor/Fitness   | \$ 118,614                        | 13.6%         | \$ 87,747                         | 12.1%         | \$ 30,867            | 35.2%        |
| Marine            | 44,048                            | 5.1%          | 47,659                            | 6.5%          | (3,611)              | -7.6%        |
| Automotive/Mobile | 626,506                           | 72.0%         | 518,939                           | 71.2%         | 107,567              | 20.7%        |
| Aviation          | 81,187                            | 9.3%          | 74,328                            | 10.2%         | 6,859                | 9.2%         |
| <b>Total</b>      | <b>\$ 870,355</b>                 | <b>100.0%</b> | <b>\$ 728,673</b>                 | <b>100.0%</b> | <b>\$ 141,682</b>    | <b>19.4%</b> |

Increases in sales for the 13-week period ended September 27, 2008 were primarily due to growth in our automotive and outdoor/fitness segments. Aviation revenues also grew but marine revenues declined on a year-over-year basis. Automotive/mobile revenue remains a significantly larger portion of our revenue mix, rising from 71.2% in the third quarter of 2007 to 72.0% in the third quarter of 2008.

Total unit sales increased 43% to 3,855,000 in the third quarter of 2008 from 2,688,000 in the third quarter of 2007. The higher unit sales volume in the third quarter of fiscal 2008 was primarily attributable to ongoing growth in demand for automotive products, although unit growth was also strong in the outdoor/fitness segment due to the strong product line-up.

Automotive/mobile segment revenue grew 20.7% from the year-ago quarter, on the strength of the nüvi series of personal navigation devices (PNDs). Revenues in our outdoor/fitness segment grew the fastest due to the strong product line-up including the Oregon™ series, the Forerunner® 405 and Edge® 705 along with a stable average selling price. Our aviation segment grew 9.2% from the year ago quarter. Growth in this segment is primarily driven by the demand for the G1000 in the OEM market. The marine segment continued to slow during the quarter when compared with the third quarter of 2007. The decline is primarily related to less consumer spending in the marine industry due to macroeconomic conditions and fuel prices.

**Gross Profit**

|                   | 13-weeks ended September 27, 2008 |               | 13-weeks ended September 29, 2007 |               | Quarter over Quarter |              |
|-------------------|-----------------------------------|---------------|-----------------------------------|---------------|----------------------|--------------|
|                   | Gross Profit                      | % of Revenues | Gross Profit                      | % of Revenues | \$ Change            | % Change     |
| Outdoor/Fitness   | \$ 74,487                         | 62.8%         | \$ 46,553                         | 53.1%         | \$ 27,934            | 60.0%        |
| Marine            | \$ 21,714                         | 49.3%         | 25,170                            | 52.8%         | (3,456)              | -13.7%       |
| Automotive/Mobile | \$ 236,339                        | 37.7%         | 221,148                           | 42.6%         | 15,191               | 6.9%         |
| Aviation          | \$ 53,099                         | 65.4%         | 48,980                            | 65.9%         | 4,119                | 8.4%         |
| <b>Total</b>      | <b>\$ 385,639</b>                 | <b>44.3%</b>  | <b>\$ 341,851</b>                 | <b>46.9%</b>  | <b>\$ 43,788</b>     | <b>12.8%</b> |

Gross profit dollars in the third quarter of 2008 grew 12.8% while gross profit margin percentage decreased 260 basis points over the third quarter of 2007. Third quarter gross profit margin increased to 62.8% in the outdoor/fitness segment when compared to the third quarter of 2007. Third quarter 2008 gross profit margins decreased to 49.3%, 37.7%, and 65.4% in the marine, automotive/mobile, and aviation segments respectively, when compared with the third quarter of 2007.

Gross profit margin percentage for the Company overall decreased primarily as a result of the automotive/mobile segment remaining a significantly larger percentage of the Company's product mix during a quarter when this

segment's margin fell by 490 basis points. The automotive/mobile segment is by nature a lower-margin business and the Company has begun to see the impacts expected on gross margin due to falling prices and a product mix shift toward lower end PNDs. Foreign currency fluctuations resulted in 125 basis points of gross margin compression due to sales transacted in foreign currencies. A newer suite of products in the outdoor/fitness segment drove strong year-over-year improvement in outdoor/fitness margins. Declines in gross margin in the marine segment occurred due to reduced volumes and product mix shift toward lower margin products. The aviation segment saw a 50 basis point decrease in gross margin due to changes in our warranty programs. Aviation continued to be the Company's highest gross margin segment.

***Selling, General and Administrative Expenses***

|                   | 13-weeks ended September 27, 2008  |               | 13-weeks ended September 29, 2007  |               | Quarter over Quarter |          |
|-------------------|------------------------------------|---------------|------------------------------------|---------------|----------------------|----------|
|                   | Selling, General & Admin. Expenses | % of Revenues | Selling, General & Admin. Expenses | % of Revenues | \$ Change            | % Change |
| Outdoor/Fitness   | \$ 15,868                          | 13.4%         | \$ 11,468                          | 13.1%         | \$ 4,400             | 38.4%    |
| Marine            | \$ 6,175                           | 14.0%         | 5,635                              | 11.8%         | 540                  | 9.6%     |
| Automotive/Mobile | \$ 90,256                          | 14.4%         | 63,988                             | 12.3%         | 26,268               | 41.1%    |
| Aviation          | \$ 6,228                           | 7.7%          | 5,969                              | 8.0%          | 259                  | 4.3%     |
| Total             | \$ 118,527                         | 13.6%         | \$ 87,060                          | 11.9%         | \$ 31,467            | 36.1%    |

The increase in selling, general and administrative expense was driven primarily by costs associated with the European distributors acquired in 2007 and 2008, increased staffing throughout the organization to support our growth and increased advertising spending. Selling, general and administrative expenses excluding advertising increased as a percent of sales from 6.6% of sales in the third quarter of 2007 to 7.8% of sales in the third quarter of 2008. In absolute dollars, selling, general and administrative expenses excluding advertising increased \$19.4 million when compared to the previous year quarter, with increases distributed across European distributors, call center, information technology, operations, finance, human resources, administration, and marketing administration areas to support the growth of our businesses. Advertising spending increased \$12.1 million and 50 basis points as a percent of sales from 5.3% in third quarter 2007 to 5.8% in third quarter 2008.

***Research and Development Expense***

|                   | 13-weeks ended September 27, 2008 |               | 13-weeks ended September 29, 2007 |               | Quarter over Quarter |          |
|-------------------|-----------------------------------|---------------|-----------------------------------|---------------|----------------------|----------|
|                   | Research & Development            | % of Revenues | Research & Development            | % of Revenues | \$ Change            | % Change |
| Outdoor/Fitness   | \$ 6,483                          | 5.5%          | \$ 4,907                          | 5.6%          | \$ 1,576             | 32.1%    |
| Marine            | 4,932                             | 11.2%         | 3,912                             | 8.2%          | 1,020                | 26.1%    |
| Automotive/Mobile | 21,724                            | 3.5%          | 15,305                            | 2.9%          | 6,419                | 41.9%    |
| Aviation          | 19,610                            | 24.2%         | 16,510                            | 22.2%         | 3,100                | 18.8%    |
| Total             | \$ 52,749                         | 6.1%          | \$ 40,634                         | 5.6%          | \$ 12,115            | 29.8%    |

The 29.8% increase in research and development expense was due to ongoing development activities for new products, the addition of over 400 new engineering personnel to our staff since the same period last year, and an increase in engineering program costs during the third quarter of 2008 as a result of our continued emphasis on product innovation. Research and development costs increased \$12.1 million when compared with the third quarter of 2007 representing a 50 basis point increase as a percent of revenue.

***Operating Income***

|                   | 13-weeks ended September 27, 2008 |               | 13-weeks ended September 29, 2007 |               | Quarter over Quarter |          |
|-------------------|-----------------------------------|---------------|-----------------------------------|---------------|----------------------|----------|
|                   | Operating Income                  | % of Revenues | Operating Income                  | % of Revenues | \$ Change            | % Change |
| Outdoor/Fitness   | \$ 52,136                         | 44.0%         | \$ 30,178                         | 34.4%         | \$ 21,958            | 72.8%    |
| Marine            | 10,606                            | 24.1%         | 15,623                            | 32.8%         | (5,017)              | -32.1%   |
| Automotive/Mobile | 124,359                           | 19.8%         | 141,855                           | 27.3%         | (17,496)             | -12.3%   |
| Aviation          | 27,262                            | 33.6%         | 26,501                            | 35.7%         | 761                  | 2.9%     |
| Total             | \$ 214,363                        | 24.6%         | \$ 214,157                        | 29.4%         | \$ 206               | 0.1%     |

Operating margin declined 480 basis points as a percent of revenue when compared to the third quarter of 2007 due to the decrease in gross margins, along with the costs associated with the European distributors, increases in staffing to

support the growth of our businesses, increases in advertising, and research and development expense associated with ongoing development activities. Operating margin increased to 44.0% within our outdoor/fitness segment when compared with the third quarter of 2007. Operating margins decreased to 19.8%, 24.1% and 33.6% within our automotive/mobile, marine, and aviation segments, respectively, when compared with the third quarter of 2007. Our operating income was basically flat as increases in the outdoor/fitness and aviation segments offset declining margins in automotive/mobile and marine.

**Other Income (Expense)**

|                                   | 13-weeks ended<br>September 27, 2008 | 13-weeks ended<br>September 29, 2007 |
|-----------------------------------|--------------------------------------|--------------------------------------|
| Interest Income                   | \$ 8,770                             | \$ 11,798                            |
| Foreign Currency Exchange         | (12,744)                             | (3,626)                              |
| Gain on sale of equity securities | 0                                    | -                                    |
| Other                             | 1,023                                | 297                                  |
| <b>Total</b>                      | <b>\$ (2,951)</b>                    | <b>\$ 8,469</b>                      |

The average interest rate of return on cash and investments during the third quarter of 2008 was 3.8% compared to 4.5% during the same quarter of 2007. The decrease in interest income is attributable to slightly lower cash balances and decreasing interest rates.

Foreign currency gains and losses for the Company are primarily tied to movements by the Taiwan Dollar (TD), the Euro, and the British Pound Sterling. The U.S. Dollar (USD) remains the functional currency of Garmin (Europe) Ltd. The Euro is the functional currency of Garmin France, Garmin Deutschland, Garmin Iberia, Garmin Italia, Garmin Belux, Garmin Suomi Oy, Garmin Austria GmbH and Satsignal Equipamentos de Comunicações e de Navegação S.A.. As these entities grow, Euro currency moves will generate material gains and losses. Additionally, Euro-based inter-company transactions can also generate currency gains and losses. The Canadian dollar and Danish Krone are the functional currency of Dynastream Innovations, Inc. and Garmin Danmark, respectively; due to these entities' relative size, currency moves are not expected to have a material impact on the Company's financial statements.

The majority of the \$12.7 million currency loss in the third quarter of 2008 was due to the strengthening of the USD. During the third quarter of fiscal 2008, the TD weakened 5.0% in comparison to the USD, resulting in a \$38.5 million gain. Offsetting this impact, the Euro has weakened 6.5% relative to the USD resulting in a \$51.2 million loss. The weakness of the TD and Euro have offsetting impacts due to the use of the TD for manufacturing cost while the Euro transactions relate to revenue.

The majority of the \$3.6 million currency loss in the third quarter of 2007 was due to the weakening of the USD compared to the TD. During the third quarter of fiscal 2007 the exchange rate increased resulting in a \$5.4 million loss. The British Pound Sterling and the Euro strengthened 1.5% and 4.9% respectively relative to the USD during the quarter which resulted in a \$0.4 million gain related to movements in the British Pound Sterling and a \$1.2 million gain related to movements in the Euro. Other net currency gains and the timing of transactions created the remaining gain of \$0.2 million.

**Income Tax Provision**

Our earnings before taxes fell 5% when compared to the third quarter of 2007, yet our income tax expense increased by \$11.0 million, to \$40.2 million, for the 13-week period ended September 27, 2008, from \$29.1 million for the 13-week period ended September 29, 2007, due to a higher effective tax rate. The effective tax rate was 19.0% in the third quarter of 2008 and 13.1% in the third quarter of 2007. The higher tax rate in the third quarter of 2008 when compared to the same quarter in 2007 was driven by a change in tax law related to the repatriation of earnings from our Taiwan subsidiary and the unfavorable mix of taxable income among Company entities.

**Net Income**

As a result of the above, net income decreased 11.5% for the 13-week period ended September 27, 2008 to \$171.2 million compared to \$193.5 million for the 13-week period ended September 29, 2007.



**Comparison of 39-Weeks Ended September 27, 2008 and September 29, 2007****Net Sales**

|                   | 39-weeks ended September 27,<br>2008 |                  | 39-weeks ended September 29,<br>2007 |                  | Quarter over Quarter |              |
|-------------------|--------------------------------------|------------------|--------------------------------------|------------------|----------------------|--------------|
|                   | Net Sales                            | % of<br>Revenues | Net Sales                            | % of<br>Revenues | \$ Change            | %<br>Change  |
| Outdoor/Fitness   | \$ 308,255                           | 12.6%            | \$ 225,437                           | 11.5%            | \$ 82,818            | 36.7%        |
| Marine            | 171,232                              | 7.0%             | 170,433                              | 8.7%             | 799                  | 0.5%         |
| Automotive/Mobile | 1,710,248                            | 69.9%            | 1,343,460                            | 68.4%            | 366,788              | 27.3%        |
| Aviation          | 256,095                              | 10.5%            | 223,968                              | 11.4%            | 32,127               | 14.3%        |
| <b>Total</b>      | <b>\$ 2,445,830</b>                  | <b>100.0%</b>    | <b>\$ 1,963,298</b>                  | <b>100.0%</b>    | <b>\$ 482,532</b>    | <b>24.6%</b> |

Increases in sales for the 39-week period ended September 27, 2008 continue to be driven by automotive and outdoor/fitness product offerings. Automotive/mobile revenue remains a significantly larger portion of our revenue mix, rising from 68.4% year to date in 2007 to 69.9% year to date in 2008.

Total unit sales increased 56% to 10,563,000 year to date in 2008 from 6,784,000 in the same period of 2007. The higher unit sales volume in year to date 2008 was primarily attributable to strong sales of automotive products, particularly in North America, and outdoor/fitness products.

Automotive/mobile segment revenue grew 27.3% from the year-ago period, on the strength of the nuvi® series of personal navigation devices (PNDs). On a percentage basis, revenues in our outdoor/fitness segment grew faster than any other segment from the year ago period due to the introduction of the Colorado™ series, the Oregon™ series, the Forerunner® 405 and Edge® 705. Our aviation segment continued to grow on the strength of our G1000 cockpit as an OEM solution. Marine revenues were slightly higher than the year ago period due to strong growth in the first quarter of 2008 offset by a decline in the second and third quarters due to macroeconomic conditions and fuel prices.

**Gross Profit**

|                   | 39-weeks ended September 27,<br>2008 |                  | 39-weeks ended September 29,<br>2007 |                  | Quarter over Quarter |              |
|-------------------|--------------------------------------|------------------|--------------------------------------|------------------|----------------------|--------------|
|                   | Gross Profit                         | % of<br>Revenues | Gross Profit                         | % of<br>Revenues | \$ Change            | %<br>Change  |
| Outdoor/Fitness   | \$ 179,834                           | 58.3%            | \$ 123,616                           | 54.8%            | \$ 56,218            | 45.5%        |
| Marine            | 94,296                               | 55.1%            | 92,704                               | 54.4%            | 1,592                | 1.7%         |
| Automotive/Mobile | 675,953                              | 39.5%            | 591,400                              | 44.0%            | 84,553               | 14.3%        |
| Aviation          | 172,799                              | 67.5%            | 146,550                              | 65.4%            | 26,249               | 17.9%        |
| <b>Total</b>      | <b>\$ 1,122,882</b>                  | <b>45.9%</b>     | <b>\$ 954,270</b>                    | <b>48.6%</b>     | <b>\$ 168,612</b>    | <b>17.7%</b> |

Gross profit dollars in the 39-weeks ended September 27, 2008 grew 17.7% and gross profit margin percentage declined 270 basis points over the same period of the previous year. Year to date 2008 gross profit margins decreased to 39.5% in the automotive/mobile segment when compared to the same period in 2007. Year to date 2008 gross profit margins increased to 58.3%, 55.1%, and 67.5% within the outdoor/fitness, marine and aviation segments, respectively, when compared with the same period of 2007.

Gross profit margin percentage for the Company overall decreased 270 basis points as a result of the automotive/mobile segment decline of 450 basis points. The automotive/mobile segment is by nature a lower-margin business and the Company has begun to see the impacts expected on gross margin due to falling prices and a product



mix shift toward lower end PNDs. A product mix favoring the high margin G1000 in the aviation segment resulted in favorable gross margins for the aviation segment year to date in 2008. Outdoor/fitness gross margin has increased due to a newer suite of products. Marine gross margin remains relatively stable on a year-over-year basis and within historic ranges.

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***Selling, General and Administrative Expenses***

|                   | 39-weeks ended September 27, 2008  |               | 39-weeks ended September 29, 2007  |               | Quarter over Quarter |          |
|-------------------|------------------------------------|---------------|------------------------------------|---------------|----------------------|----------|
|                   | Selling, General & Admin. Expenses | % of Revenues | Selling, General & Admin. Expenses | % of Revenues | \$ Change            | % Change |
| Outdoor/Fitness   | \$ 43,631                          | 14.2%         | \$ 28,068                          | 12.5%         | \$ 15,563            | 55.4%    |
| Marine            | 26,662                             | 15.6%         | 20,421                             | 12.0%         | 6,241                | 30.6%    |
| Automotive/Mobile | 250,434                            | 14.6%         | 181,246                            | 13.5%         | 69,188               | 38.2%    |
| Aviation          | 20,653                             | 8.1%          | 18,623                             | 8.3%          | 2,030                | 10.9%    |
| Total             | \$ 341,380                         | 14.0%         | \$ 248,358                         | 12.7%         | \$ 93,022            | 37.5%    |

The increase in selling, general and administrative expense was driven primarily by costs associated with the European distributors acquired in 2007 and 2008, increased staffing to support our growth and increased advertising spending. Selling, general and administrative expenses excluding advertising increased as a percent of revenues from 6.3% year to date in 2007 to 7.9% year to date in 2008. In absolute dollars, selling, general and administrative expenses excluding advertising increased \$70.6 million when compared to the same period in 2007, with increases distributed across European distributors, call center, operations, information technology, administration, and marketing administration areas to support the growth of our businesses. Advertising spending, which included increases in cooperative advertising costs and television and print advertising placements, increased 18% or \$22.4 million when compared to the year ago period. As a percent of revenues, advertising fell to 6.1% in the 39-weeks ended September 27, 2008 compared to 6.4% in the year ago period.

***Research and Development Expense***

|                   | 39-weeks ended September 27, 2008 |               | 39-weeks ended September 29, 2007 |               | Quarter over Quarter |          |
|-------------------|-----------------------------------|---------------|-----------------------------------|---------------|----------------------|----------|
|                   | Research & Development            | % of Revenues | Research & Development            | % of Revenues | \$ Change            | % Change |
| Outdoor/Fitness   | \$ 19,312                         | 6.3%          | \$ 15,562                         | 6.9%          | \$ 3,750             | 24.1%    |
| Marine            | 15,125                            | 8.8%          | 12,250                            | 7.2%          | 2,875                | 23.5%    |
| Automotive/Mobile | 64,328                            | 3.8%          | 39,706                            | 3.0%          | 24,622               | 62.0%    |
| Aviation          | 57,139                            | 22.3%         | 44,345                            | 19.8%         | 12,794               | 28.9%    |
| Total             | \$ 155,904                        | 6.4%          | \$ 111,863                        | 5.7%          | \$ 44,041            | 39.4%    |

The increase in research and development expense dollars was due to ongoing development activities for new products, the addition of 400 new engineering personnel to our staff during the period, and an increase in engineering program costs year to date in 2008 as a result of our continued emphasis on product innovation. Research and development costs increased \$44.0 million when compared with the year-ago period and increased 70 basis points as a percent of revenue as research and development growth outpaced revenue growth.

***Operating Income***

|                   | 39-weeks ended September 27, 2008 |               | 39-weeks ended September 29, 2007 |               | Quarter over Quarter |          |
|-------------------|-----------------------------------|---------------|-----------------------------------|---------------|----------------------|----------|
|                   | Operating Income                  | % of Revenues | Operating Income                  | % of Revenues | \$ Change            | % Change |
| Outdoor/Fitness   | \$ 116,892                        | 37.9%         | \$ 79,986                         | 35.5%         | \$ 36,906            | 46.1%    |
| Marine            | 52,510                            | 30.7%         | 60,033                            | 35.2%         | (7,523)              | -12.5%   |
| Automotive/Mobile | 361,190                           | 21.1%         | 370,448                           | 27.6%         | (9,258)              | -2.5%    |
| Aviation          | 95,006                            | 37.1%         | 83,582                            | 37.3%         | 11,424               | 13.7%    |
| Total             | \$ 625,598                        | 25.6%         | \$ 594,049                        | 30.3%         | \$ 31,549            | 5.3%     |

Operating income was down 470 basis points as a percent of revenue when compared to the year-ago period due to the decrease in gross margins, along with the costs associated with the European distributors, increases in staffing to support the growth of our businesses, and research and development expense associated with ongoing development activities. Operating margins decreased to 30.7%, 21.1%, and 37.1% in our marine, automotive/mobile, and aviation segments, respectively, while operating margins increased to 37.9% within our outdoor/fitness segment.

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**Other Income (Expense)**

|                                   | 39-weeks ended     |                    |
|-----------------------------------|--------------------|--------------------|
|                                   | September 27, 2008 | September 29, 2007 |
| Interest Income                   | \$ 26,830          | \$ 31,997          |
| Foreign Currency Exchange         | \$ 4,818           | \$ 3,493           |
| Gain on sale of equity securities | \$ 50,949          | -                  |
| Other                             | \$ 1,824           | \$ 631             |
| Total                             | \$ 84,421          | \$ 36,121          |

The average interest rate of return on cash and investments during the 39-weeks ended September 27, 2008 was 3.6% compared to 4.6% during the same period of 2007. The decrease in interest income is attributable to a decline in our cash balances and decreasing interest rates.

Foreign currency gains and losses for the Company are primarily tied to movements by the Taiwan Dollar (TD), the Euro, and the British Pound Sterling. The U.S. Dollar (USD) remains the functional currency of Garmin (Europe) Ltd. The Euro is the functional currency of Garmin France, Garmin Deutschland, Garmin Iberia, Garmin Italia, Garmin Belux, Garmin Suomi Oy, Garmin Austria GmbH and Satsignal Equipamentos de Comunicações e de Navegação S.A.. As these entities grow, Euro currency moves will generate material gains and losses. Additionally, Euro-based inter-company transactions in Garmin Ltd. can also generate currency gains and losses. The Canadian dollar and Danish Krone are the functional currency of Dynastream Innovations, Inc. and Garmin Denmark, respectively; due to these entities' relative size, currency moves are not expected to have a material impact on the Company's financial statements.

The majority of the \$4.8 million currency gain for the 39-weeks ended September 27, 2008 was related to the tender of our Tele Atlas N.V. shares. This transaction generated a realized gain of \$21.5 million due to the strengthening of the Euro between the date of purchase of the shares in October 2007 to the dates of tender in February, March, and June 2008. The offsetting \$16.7 million currency loss in the same period of 2008 was primarily due to the timing of fluctuations between the USD compared to the TD and the Euro. On a year to date basis, the TD strengthened 1.4% in comparison to the USD, resulting in a \$0.3 million gain. The Euro has strengthened 0.1% relative to the U.S. Dollar year to date in 2008 which resulted in a \$17.2 million loss. The relative strength of the Taiwan Dollar and Euro have offsetting impacts due to the use of the Taiwan Dollar for manufacturing costs while the Euro transactions relate to revenue. Other net currency gains and the timing of transactions created the remaining gain of \$0.2 million.

The \$3.5 million currency gain in the 39-week period ended September 29, 2007 was driven by the movement of the British Pound Sterling and Euro, which strengthened 3.9% and 7.3%, respectively, resulting in gains of \$2.0 million and \$1.9 million, respectively. While the U.S. Dollar/Taiwan Dollar exchange rate fluctuated meaningfully during the period, by the end of the period there was a net 0.2% strengthening of the Taiwan dollar, which resulted in a \$0.5 million currency loss. Other net currency gains and the timing of transactions created the remaining gain of \$0.1 million.

Other income of \$52.8 million in the 39-weeks ended September 27, 2008 was primarily generated from the sale of our equity interest in Tele Atlas N.V.

**Income Tax Provision**

Our earnings before taxes increased 12.7% when compared to the same period in 2007, and our income tax expense increased by \$52.5 million, to \$134.9 million, for the 39-week period ended September 27, 2008, from \$82.4 million for the 26-week period ended September 29, 2007, due to earnings growth and our higher tax rate. The effective tax rate was 19.0% year to date in 2008 and 13.1% year to date in 2007. The higher tax rate in 2008 when compared to the

same period in 2007 was driven by a change in tax law related to the repatriation of earnings from our Taiwan subsidiary and the unfavorable mix of taxable income among Company entities.

***Net Income***

As a result of the above, net income increased 5.0% for the 39-week period ended September 27, 2008 to \$575.1 million compared to \$547.7 million for the 39-week period ended September 29, 2007.

## **Liquidity and Capital Resources**

Net cash generated by operating activities was \$512.7 million for the 39-week period ended September 27, 2008 compared to \$555.9 million for the 39-week period ended September 29, 2007. We experienced a \$167.0 million year-to-date increase in net inventories in this 39-week period of 2008, an increase required to fill orders for our products and to address overall growing demand for our products. We attempt to carry sufficient inventory levels of finished goods and key components so that potential supplier shortages have as minimal an impact as possible on our ability to deliver our finished products. Accounts receivable decreased \$306.3 million, net of bad debts, during this 39-week period of 2008 due to lower shipments compared to the seasonally strong fourth quarter.

Cash flow used in investing activities during the 39-week period ending September 27, 2008 was \$87.1 million. Cash flow used in investing activities included \$110.5 million in capital expenditures related to the build-out of our Linkou manufacturing facility, completion of our expanded North American distribution facility and maintenance activities. In addition, the acquisition of European distributors for \$50.5 million is included in cash flow used in investing activities. In addition, the net sale of securities provided \$77.8 million of cash flow. The net sale was primarily related to \$72.4 million of cash generated from the tender of our shares of Tele Atlas N.V. offset by the purchase of fixed income securities associated with the management of our on-hand cash balances. It is management's goal to invest the on-hand cash consistent with the Company's investment policy, which has been approved by the Board of Directors. The investment policy's primary purpose is to preserve capital, maintain an acceptable degree of liquidity, and maximize yield within the constraint of maximum safety. The Company's average interest rate of return on cash and investments during the period was approximately 3.6%.

Net cash used by financing activities during the period was \$614.7 million resulting from the use of \$624.7 million for stock repurchased under our stock repurchase plans, offset by \$10.0 million from the issuance of common stock related to our Company stock option plan and stock based compensation tax benefits.

We currently use cash flow from operations to fund our capital expenditures, to support our working capital requirements and to repurchase shares. We expect that future cash requirements will principally be for capital expenditures, working capital requirements, repurchase of shares, and payment of dividends declared.

We believe that our existing cash balances and cash flow from operations will be sufficient to meet our projected capital expenditures, working capital, repurchase of shares, and other cash requirements at least through the end of fiscal 2008.

### ***Contractual Obligations and Commercial Commitments***

Pursuant to certain agreements, the Company has contractual commitments of approximately \$47.5 million over the next 3 years.

### ***Off-Balance Sheet Arrangements***

We do not have any off-balance sheet arrangements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

#### **Market Sensitivity**

We have market risk primarily in connection with the pricing of our products and services and the purchase of raw materials. Product pricing and raw material costs are both significantly influenced by semiconductor market conditions. Historically, during cyclical economic downturns, we have been able to offset pricing declines for our products through a combination of introducing new products with higher margins and success in obtaining price reductions in raw material costs. In recent quarters we have experienced an increase in raw materials costs and an increase in the sale of lower-margin products as a part of the product mix, resulting in reduced gross margins.

#### **Inflation**

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

#### **Foreign Currency Exchange Rate Risk**

The operation of the Company's subsidiaries in international markets results in exposure to movements in currency exchange rates. The potential of volatile foreign exchange rate fluctuations in the future could have a significant effect on our results of operations. In accordance with Statement of Financial Accounting Standards (SFAS) No. 52, Foreign Currency Translation, the financial statements of all Company entities with functional currencies that are not United States dollars (USD) are translated for consolidation purposes into USD, the functional currency of Garmin Ltd. and Garmin International, Inc. Sales, costs, and expenses are translated at rates prevailing during the reporting periods 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 and have been included in accumulated other comprehensive gain/(loss) in the accompanying consolidated balance sheets.

Foreign currency gains and losses for the Company are primarily tied to movements by the Taiwan Dollar, the Euro, and the British Pound Sterling. The U.S. Dollar remains the functional currency of Garmin (Europe) Ltd. The Euro is the functional currency of Garmin France, Garmin Deutschland, Garmin Iberia, Garmin Italia, Garmin Belux, Garmin Suomi Oy, Garmin Austria GmbH and Satsignal Equipamentos de Comunicações e de Navegação S.A.. As these entities grow, Euro currency moves will generate material gains and losses. Additionally, Euro-based inter-company transactions in Garmin Ltd. can also generate currency gains and losses. The Canadian dollar and Danish Krone are the functional currency of Dynastream Innovations, Inc. and Garmin Danmark, respectively; due to these entities' relative size, currency moves are not expected to have a material impact on the Company's financial statements.

#### **Interest Rate Risk**

As of September 27, 2008, we have minimal interest rate risk as we have no material outstanding long term debt and we intend to hold marketable securities until they mature or can be sold at a profit or minimal loss.

**Item 4. Controls and Procedures**

(a) *Evaluation of disclosure controls and procedures.* The Company maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that information, which is required to be timely disclosed, is accumulated and communicated to management in a timely fashion. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. As of September 27, 2008, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded as of September 27, 2008 that our disclosure controls and procedures were effective such that the information relating to the Company, required to be disclosed in our Securities and Exchange Commission ("SEC") reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Changes in internal control over financial reporting.* There has been no change in the Company's internal controls over financial reporting that occurred during the Company's fiscal quarter ended September 27, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



## Part II - Other Information

### Item 1. Legal Proceedings

*Encyclopaedia Britannica, Inc. v. Alpine Electronics of America, Inc., Alpine Electronics, Inc., Denso Corporation, Toyota Motor Sales, U.S.A., Inc., American Honda Motor Co., Inc., and Garmin International, Inc.* On May 16, 2005, Encyclopaedia Britannica, Inc. (“Encyclopaedia Britannica”) filed suit in the United States District Court for the Western District of Texas, Austin Division, against Garmin’s wholly owned subsidiary Garmin International, Inc. (“Garmin International”) and five other unrelated companies, alleging infringement of U.S. Patent No. 5,241,671 (“the ‘671 patent”). On May 23, 2006, Encyclopaedia Britannica filed an amended complaint claiming that Garmin International and the other defendants also infringe U.S. Patent No. 7,051,018 (“the ‘018 patent”), a continuation patent of the ‘671 patent, which issued on May 23, 2006. On September 30, 2008, the court granted Garmin International’s Motion for Summary Judgment for Claim Invalidity Based on Indefiniteness with respect to the ‘671 patent. On October 8, 2008, the court issued an Order dismissing Encyclopaedia Britannica’s amended complaint with respect to the ‘018 patent without prejudice. On October 8, 2008, the court also issued a final judgment ordering that Encyclopaedia Britannica take nothing from its action against Garmin International with respect to the ‘671 and ‘018 patents and closed that case. Garmin International believes that it should not be found liable for infringement of the ‘018 patent and additionally that the ‘018 patent is invalid. On July 25, 2006, Encyclopaedia Britannica filed a new complaint claiming that Garmin International and the other defendants also infringe U.S. Patent No. 7,082,437 (“the ‘437 patent”), a continuation patent of the ‘671 patent, which issued on July 25, 2006. Garmin International believes that it should not be found liable for infringement of the ‘437 patent and additionally that the ‘437 patent is invalid. Encyclopaedia Britannica has asserted the ‘018 and ‘437 patents against other parties in *Encyclopaedia Britannica v. Magellan Navigation, Inc., et al.*, Case No. 07-CA-787 (LY)(W.D. Tex). On October 5, 2007, the defendants in that case filed a Motion for Summary Judgment of Invalidity of the ‘018 and ‘437 patents and the parties await a hearing and/or the court’s ruling on that motion. Although there can be no assurance that an unfavorable outcome of this litigation would not have a material adverse effect on our operating results, liquidity or financial position, we believe that the claims are without merit and intend to vigorously defend these actions.

*Nuvio Corporation v. Garmin International, Inc. and Garmin Ltd.* On February 26, 2008, Nuvio Corporation filed a lawsuit in the United States District Court for the District of Kansas claiming that Garmin’s use of its nüvi® trademark in connection with the sale of personal navigation devices and Garmin’s use of its nüvifone™ trademark in connection with the announcement of its new wireless handset infringe U.S. Service Mark Registration No. 3,074,020 for the service mark nuvio for use in connection with the provision of internet telephony services. This lawsuit was dismissed with prejudice on September 3, 2008 pursuant to a settlement agreement.

*SP Technologies, LLC v. Garmin Ltd., Garmin International, Inc., TomTom, Inc., and Magellan Navigation, Inc.* On June 5, 2008, SP Technologies, LLC filed a lawsuit in the United States District Court for the Northern District of Illinois against Garmin Ltd. and Garmin International, Inc. alleging infringement of U.S. Patent No. 6,784,873 (“the ‘873 patent”). On July 7, 2008, SP Technologies, LLC filed an amended complaint alleging infringement of the ‘873 patent against additional defendants TomTom, Inc. and Magellan Navigation, Inc. On August 18, 2008, Garmin filed its answer to the amended complaint along with a motion for dismissal of SP Technologies, LLC’s claims of willful and inducement infringement of the ‘873 patent. On October 16, 2008, the court granted Garmin’s motion for partial dismissal, striking the willful and inducement infringement allegations from the amended complaint. Although there can be no assurance that an unfavorable outcome of this litigation would not have a material adverse effect on our operating results, liquidity or financial position, Garmin believes that it should not be found liable for infringement of the ‘873 patent and additionally that the ‘873 patent is invalid.

*Scott C. Harris and Memory Control Enterprise, LLC v. Dash Navigation, Inc., Garmin International, Inc., Lowrance Electronics, Inc., Magellan Navigation, Inc., Mio Technology USA, Navigon Inc., Netropa Corporation, and Sony Electronics, Inc.* On September 4, 2008, Scott C. Harris and Memory Control Enterprise, LLC filed a lawsuit in the

United States District Court for the Northern District of Illinois against Garmin International, Inc., Dash Navigation, Inc., Lowrance Electronics, Inc., Magellan Navigation, Inc., Mio Technology USA, Navigon Inc., Netropa Corporation, and Sony Electronics, Inc. The complaint against Garmin International, Inc. alleges infringement of claim 34 of U.S. Patent No. 6,892,136 (“the ’136 patent”). Although there can be no assurance that an unfavorable outcome of this litigation would not have a material adverse effect on our operating results, liquidity or financial position, Garmin believes that it should not be found liable of infringement of the ’136 patent and additionally that the ’136 patent is invalid.

From time to time the Company and its subsidiaries are involved in other legal actions arising in the ordinary course of our business. We believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position.

## Item 1A. Risk Factors

Information regarding the Company's risk factors appears in "Part I. - Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 29, 2007. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 29, 2007 other than as set forth below:

### **Our financial results are highly dependent on the automotive/mobile segment, which now represents over 70% of our revenues and may be maturing leading to lesser growth than we have experienced in the past.**

We have experienced substantial growth in the automotive/mobile segment of our business in recent years as the products have become mass-market consumer electronics in both Europe and North America. This market growth may now be slowing as penetration rates increase and competing technologies emerge. Slowing growth, along with the significant price reductions that have occurred during the past two years, could result in lower revenues. As margins have also declined in this segment, slowing growth may also result in lower earnings per share.

### **The demand for personal navigation devices (PNDs) may be eroded by replacement technologies becoming available on mobile handsets and factory-installed systems in new autos.**

We have experienced substantial growth in the automotive/mobile segment which has resulted in GPS/navigation technologies being incorporated into competing devices such as mobile handsets and new automobiles through factory-installed systems. Mobile handsets are frequently GPS-enabled and many companies are now offering navigation software for mobile devices. The acceptance of this technology by consumers could slow our growth and further reduce margins. Navigation systems are becoming more prevalent as optional equipment on new automobiles. Increased navigation penetration on new automobiles could slow our growth and further reduce margins.

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

Items (a) and (b) are not applicable.

### (c) Issuer Purchases of Equity Securities

The Board of Directors approved a share repurchase program on February 4, 2008, authorizing the Company to repurchase up to 5,000,000 shares of the Company as market and business conditions warrant. This share repurchase program was completed in second quarter 2008.

The Board of Directors approved a share repurchase program on June 6, 2008, authorizing the Company to repurchase up to 10,000,000 shares of the Company as market and business conditions warrant. The Company repurchased 1,600,000 shares and 8,158,000 shares in second and third quarter of 2008, respectively. The share repurchase authorization expires on December 31, 2009.

The Board of Directors approved a share repurchase program on October 22, 2008, authorizing the Company to repurchase up to \$300 million of the company's shares as market and business conditions warrant. The share repurchase authorization expires on December 31, 2009.

The following table lists the Company's share purchases during the third quarter of fiscal 2008:

| Period                            | Total # of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Publicly Announced Plans or Programs | Maximum Number of Shares (or Approx. Dollar Value of Shares in Thousands) That May Yet Be Purchased Under the Plans or Programs |
|-----------------------------------|-----------------------------|------------------------------|---|---|
| 13-weeks ended September 27, 2008 | 8,158,000                   | \$ 37.54                     | 8,158,000   | 242,000 shares and \$300,000  |
| Total                             | 8,158,000                   | \$ 37.54                     | 8,158,000   | 242,000 shares and \$300,000  |

**Item 3. Defaults Upon Senior Securities**

None

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

None

**Item 5. Other Information**

Not applicable

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**Item 6. Exhibits**

Exhibit 31.1 Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).

Exhibit 31.2 Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).

Exhibit 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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**SIGNATURES**

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

GARMIN LTD.

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

Dated: November 5, 2008

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**INDEX TO EXHIBITS**

| Exhibit No.     | Description   |
|-----------------|---|
| Exhibit<br>31.1 | Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).  |
| Exhibit<br>31.2 | Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).  |
| Exhibit<br>32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| Exhibit<br>32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

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