

GARMIN LTD
Form 10-Q
August 08, 2012

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2012

or

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

For the transition period from _____ to _____

Commission file number 0-31983

GARMIN LTD.

(Exact name of Company as specified in its charter)

Switzerland

98-0229227

(State or other jurisdiction (I.R.S. Employer identification no.)

of incorporation or organization)

Mühlentalstrasse 2

8200 Schaffhausen

N/A

Switzerland

(Zip Code)

(Address of principal executive offices)

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

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

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

Large Accelerated Filer Accelerated Filer Non-accelerated Filer (Do not check if a smaller reporting company) Smaller reporting company

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

Number of shares outstanding of the registrant's common shares as of August 6, 2012

CHF 10.00 par value: 208,077,418 (including treasury shares)

Garmin Ltd.

Form 10-Q

Quarter Ended June 30, 2012

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Garmin Ltd.

Form 10-Q

Quarter Ended June 30, 2012

Part I – Financial Information

Item 1. Condensed Consolidated Financial Statements

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 31, 2011. 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 26-week periods ended June 30, 2012 are not necessarily indicative of the results to be expected for the full year 2012.

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

| | (Unaudited) | |
|---|------------------|----------------------|
| | June 30, 2012 | December 31, 2011 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,267,719 | \$ 1,287,160 |
| Marketable securities | 97,177 | 111,153 |
| Accounts receivable, net | 486,395 | 607,450 |
| Inventories, net | 384,207 | 397,741 |
| Deferred income taxes | 47,263 | 42,957 |
| Deferred costs | 46,470 | 40,033 |
| Prepaid expenses and other current assets | 51,983 | 69,790 |
| Total current assets | 2,381,214 | 2,556,284 |
| Property and equipment, net | 407,850 | 417,105 |
| Marketable securities | 1,280,354 | 1,097,002 |
| Restricted cash | 825 | 771 |
| Licensing fees, net | 4,647 | 5,517 |
| Noncurrent deferred income tax | 107,190 | 107,190 |
| Noncurrent deferred costs | 38,994 | 40,823 |
| Other intangible assets, net | 241,688 | 246,646 |
| Total assets | \$ 4,462,762 | \$ 4,471,338 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 138,582 | \$ 164,010 |
| Salaries and benefits payable | 40,479 | 45,964 |
| Accrued warranty costs | 40,797 | 46,773 |
| Accrued sales program costs | 36,724 | 52,262 |
| Deferred revenue | 213,957 | 188,987 |
| Accrued royalty costs | 27,138 | 99,025 |
| Accrued advertising expense | 16,866 | 31,915 |
| Other accrued expenses | 73,327 | 67,912 |
| Deferred income taxes | 5,508 | 5,782 |
| Income taxes payable | 45,496 | 77,784 |
| Dividend payable | 263,078 | 77,865 |
| Total current liabilities | 901,952 | 858,279 |
| Deferred income taxes | 5,005 | 4,951 |

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| | | |
|---|-------------|--------------|
| Non-current income taxes | 165,691 | 161,904 |
| Non-current deferred revenue | 178,387 | 188,132 |
| Other liabilities | 1,040 | 1,491 |
| Stockholders' equity: | | |
| Shares, CHF 10 par value, 208,077,418 shares authorized and issued; 194,875,335 shares outstanding at June 30, 2012; and 194,662,617 shares outstanding at December 31, 2011; | 1,797,435 | 1,797,435 |
| Additional paid-in capital | 78,390 | 61,869 |
| Treasury stock | (96,780) | (103,498) |
| Retained earnings | 1,336,460 | 1,413,582 |
| Accumulated other comprehensive income | 95,182 | 87,193 |
| Total stockholders' equity | 3,210,687 | 3,256,581 |
| Total liabilities and stockholders' equity | \$4,462,762 | \$ 4,471,338 |

See accompanying notes.

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

| | 13-Weeks Ended | | 26-Weeks Ended | |
|---|------------------|------------------|------------------|------------------|
| | June 30, 2012 | June 25, 2011 | June 30, 2012 | June 25, 2011 |
| Net sales | \$718,154 | \$674,099 | \$1,274,751 | \$1,181,933 |
| Cost of goods sold | 296,341 | 351,999 | 569,180 | 621,459 |
| Gross profit | 421,813 | 322,100 | 705,571 | 560,474 |
| Advertising expense | 38,258 | 34,098 | 61,849 | 54,054 |
| Selling, general and administrative expense | 99,246 | 85,896 | 189,362 | 159,082 |
| Research and development expense | 80,303 | 70,515 | 160,021 | 140,994 |
| Total operating expense | 217,807 | 190,509 | 411,232 | 354,130 |
| Operating income | 204,006 | 131,591 | 294,339 | 206,344 |
| Other income (expense): | | | | |
| Interest income | 8,620 | 7,639 | 18,291 | 14,854 |
| Foreign currency gains (losses) | (7,771) | (14,611) | (9,760) | (2,471) |
| Other | 2,581 | 2,453 | 4,121 | 5,271 |
| Total other income (expense) | 3,430 | (4,519) | 12,652 | 17,654 |
| Income before income taxes | 207,436 | 127,072 | 306,991 | 223,998 |
| Income tax provision | 21,532 | 17,595 | 34,230 | 19,039 |
| Net income | \$185,904 | \$109,477 | \$272,761 | \$204,959 |
| Net income per share: | | | | |
| Basic | \$0.95 | \$0.56 | \$1.40 | \$1.06 |
| Diluted | \$0.95 | \$0.56 | \$1.39 | \$1.05 |
| Weighted average common shares outstanding: | | | | |
| Basic | 194,849 | 194,051 | 194,795 | 193,986 |
| Diluted | 196,261 | 194,875 | 196,232 | 194,801 |
| Dividends declared per share | \$1.80 | \$2.00 | \$1.80 | \$2.00 |

See accompanying notes.

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

| | 13-Weeks Ended | | 26-Weeks Ended | |
|---|----------------|------------|----------------|------------|
| | June 30, | June 25, | June 30, | June 25, |
| | 2012 | 2011 | 2012 | 2011 |
| Net income | \$ 185,904 | \$ 109,477 | \$ 272,761 | \$ 204,959 |
| Translation adjustment | (12,051) | 21,400 | 9,290 | 54,152 |
| Change in fair value of available-for-sale marketable securities, net of deferred taxes | (2,437) | 16,911 | (1,301) | 19,525 |
| Comprehensive income | \$ 171,416 | \$ 147,788 | \$ 280,750 | \$ 278,636 |

See accompanying notes.

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

| | 26-Weeks Ended | |
|---|------------------|------------------|
| | June 30, 2012 | June 25, 2011 |
| Operating Activities: | | |
| Net income | \$272,761 | \$204,959 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 27,351 | 27,393 |
| Amortization | 23,709 | 10,861 |
| Loss on sale of property and equipment | 11 | 308 |
| Provision for doubtful accounts | 2,256 | 3,563 |
| Deferred income taxes | (5,268) | 7,149 |
| Unrealized foreign currency losses | 18,556 | 16,363 |
| Provision for obsolete and slow moving inventories | 3,276 | (6,998) |
| Stock compensation expense | 18,043 | 17,315 |
| Realized gains on marketable securities | (1,463) | (4,176) |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Accounts receivable | 117,422 | 265,448 |
| Inventories | 10,004 | 20,659 |
| Other current assets | 18,048 | (31,490) |
| Accounts payable | (26,627) | (13,082) |
| Other current and non-current liabilities | (103,327) | (142,918) |
| Deferred revenue | 15,493 | 83,628 |
| Deferred cost | (4,652) | (14,652) |
| Income taxes payable | (32,555) | (30,033) |
| License fees | (7,905) | (3,344) |
| Net cash provided by operating activities | 345,133 | 410,953 |
| Investing activities: | | |
| Purchases of property and equipment | (17,426) | (14,315) |
| Proceeds from sale of property and equipment | 14 | - |
| Purchase of intangible assets | (4,682) | (2,587) |
| Purchase of marketable securities | (639,612) | (520,759) |
| Redemption of marketable securities | 464,329 | 263,428 |
| Change in restricted cash | (54) | (116) |
| Acquisitions, net of cash acquired | (2,818) | - |
| Net cash used in investing activities | (200,249) | (274,349) |
| Financing activities: | | |
| Dividends paid | (165,638) | - |
| Issuance of treasury stock related to equity awards | 10,133 | 15,637 |

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| | | |
|--|-------------|-------------|
| Tax benefit from issuance of equity awards | 1,304 | 1,197 |
| Purchase of treasury stock | (6,460) | (11,636) |
| Net cash (used in)/provided by financing activities | (160,661) | 5,198 |
| Effect of exchange rate changes on cash and cash equivalents | (3,664) | 16,133 |
| Net (decrease)/increase in cash and cash equivalents | (19,441) | 157,935 |
| Cash and cash equivalents at beginning of period | 1,287,160 | 1,260,936 |
| Cash and cash equivalents at end of period | \$1,267,719 | \$1,418,871 |

See accompanying notes.

Garmin Ltd. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

June 30, 2012

(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 June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 29, 2012.

The condensed consolidated balance sheet at December 31, 2011 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 31, 2011.

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 June 30, 2012 and June 25, 2011 both contain operating results for 13 weeks.

2. Inventories

The components of inventories consist of the following:

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| | June 30, 2012 | December 31, 2011 |
|----------------------------|---------------|-------------------|
| Raw Materials | \$ 129,907 | \$ 129,211 |
| Work-in-process | 50,164 | 52,176 |
| Finished goods | 228,350 | 245,724 |
| Inventory Reserves | (24,214) | (29,370) |
| Inventory, net of reserves | \$ 384,207 | \$ 397,741 |

3. Earnings Per Share

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

| | 13-Weeks Ended | |
|---|------------------|------------------|
| | June 30, 2012 | June 25, 2011 |
| Numerator: | | |
| Numerator for basic and diluted net income per share - net income | \$185,904 | \$109,477 |
| Denominator: | | |
| Denominator for basic net income per share – weighted-average common shares | 194,849 | 194,051 |
| Effect of dilutive securities – stock options, stock appreciation rights and restricted stock units | 1,412 | 824 |
| Denominator for diluted net income per share – adjusted weighted-average common shares | 196,261 | 194,875 |
| Basic net income per share | \$0.95 | \$0.56 |
| Diluted net income per share | \$0.95 | \$0.56 |
| | | |
| | 26-Weeks Ended | |
| | June 30, 2012 | June 25, 2011 |
| Numerator: | | |
| Numerator for basic and diluted net income per share - net income | \$272,761 | \$204,959 |
| Denominator: | | |
| Denominator for basic net income per share – weighted-average common shares | 194,795 | 193,986 |
| Effect of dilutive securities – stock options, stock appreciation rights and restricted stock units | 1,437 | 815 |
| Denominator for diluted net income per share – adjusted weighted-average common shares | 196,232 | 194,801 |
| Basic net income per share | \$1.40 | \$1.06 |
| Diluted net income per share | \$1.39 | \$1.05 |

There were 5,647,688 and 5,959,686 anti-dilutive stock options, stock appreciation rights and restricted stock units (collectively “equity awards”) for the 13-week periods ended June 30, 2012 and June 25, 2011, respectively.

There were 5,698,553 and 6,001,583 anti-dilutive equity awards for the 26-week periods ended June 30, 2012 and June 25, 2011, respectively.

There were 68,637 and 72,545 shares issued as a result of exercises of equity awards for the 13-week periods ended June 30, 2012 and June 25, 2011, respectively.

There were 212,718 and 251,916 shares issued as a result of exercises of equity awards for the 26-week periods ended June 30, 2012 and June 25, 2011, respectively.

4. Segment Information

The Company has identified five operating segments – Auto/Mobile, Aviation, Marine, Outdoor and Fitness. Each operating segment is individually reviewed and evaluated by our Chief Operating Decision Maker, who allocates resources and assesses performance of each segment individually.

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

| | Reportable Segments | | | | | |
|------------------------------|---------------------|-----------|-----------|-----------------|-----------|-------------|
| | Outdoor | Fitness | Marine | Auto/ Mobile | Aviation | Total |
| 13-Weeks Ended June 30, 2012 | | | | | | |
| Net sales | \$100,496 | \$81,812 | \$67,790 | \$392,124 | \$75,932 | \$718,154 |
| Operating income | \$43,739 | \$34,146 | \$18,427 | \$87,108 | \$20,586 | \$204,006 |
| Income before taxes | \$44,040 | \$33,334 | \$18,330 | \$90,836 | \$20,896 | \$207,436 |
| 13-Weeks Ended June 25, 2011 | | | | | | |
| Net sales | \$81,007 | \$78,014 | \$79,117 | \$362,706 | \$73,255 | \$674,099 |
| Operating income | \$35,667 | \$25,384 | \$23,357 | \$25,277 | \$21,906 | \$131,591 |
| Income before taxes | \$34,921 | \$24,568 | \$22,094 | \$23,228 | \$22,261 | \$127,072 |
| 26-Weeks Ended June 30, 2012 | | | | | | |
| Net sales | \$177,659 | \$153,026 | \$123,854 | \$671,393 | \$148,819 | \$1,274,751 |
| Operating income | \$69,648 | \$54,797 | \$27,205 | \$105,043 | \$37,646 | \$294,339 |
| Income before taxes | \$71,017 | \$56,063 | \$27,891 | \$113,579 | \$38,441 | \$306,991 |
| 26-Weeks Ended June 25, 2011 | | | | | | |
| Net sales | \$147,458 | \$134,382 | \$130,425 | \$627,255 | \$142,413 | \$1,181,933 |

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| | | | | | | |
|---------------------|----------|----------|----------|----------|----------|-----------|
| Operating income | \$60,474 | \$40,841 | \$38,490 | \$26,872 | \$39,667 | \$206,344 |
| Income before taxes | \$63,109 | \$43,066 | \$40,523 | \$34,884 | \$42,416 | \$223,998 |

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 property and equipment, net by geographic area are as follows as of and for the 26-week periods ended June 30, 2012 and June 25, 2011. Note that APAC includes Asia Pacific and EMEA includes Europe, the Middle East and Africa:

| | Americas | APAC | EMEA | Total |
|---------------------------------|-----------|-----------|-----------|-------------|
| June 30, 2012 | | | | |
| Net sales to external customers | \$687,841 | \$118,879 | \$468,031 | \$1,274,751 |
| Property and equipment, net | \$220,462 | \$135,967 | \$51,421 | \$407,850 |
| June 25, 2011 | | | | |
| Net sales to external customers | \$638,420 | \$119,606 | \$423,907 | \$1,181,933 |
| Property and equipment, net | \$229,779 | \$145,085 | \$48,833 | \$423,697 |

5. 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.

| | 13-Weeks Ended | |
|-----------------------------------|------------------|------------------|
| | June 30, 2012 | June 25, 2011 |
| Balance - beginning of the period | \$42,792 | \$44,030 |
| Accrual for products sold | 7,947 | 13,530 |
| Expenditures | (9,942) | (15,869) |
| Balance - end of the period | \$40,797 | \$41,691 |
| | 26-Weeks Ended | |
| | June 30, 2012 | June 25, 2011 |
| Balance - beginning of the period | \$46,773 | \$49,885 |
| Accrual for products sold | 15,853 | 24,333 |
| Expenditures | (21,829) | (32,527) |
| Balance - end of the period | \$40,797 | \$41,691 |

6. Commitments and Contingencies

We are party to certain commitments, which includes raw materials, advertising and other indirect purchases in connection with conducting our business. Pursuant to these agreements, the Company is contractually committed to make purchases of approximately \$211,554 over the next five years.

In the normal course of business, the Company and its subsidiaries are parties to various legal claims, actions, and complaints, including matters involving patent infringement and other intellectual property claims and various other risks. It is not possible to predict with certainty whether or not the Company and its subsidiaries will ultimately be successful in any of these legal matters, or if not, what the impact might be. However, the Company's management does not expect that the results in any of these legal proceedings will have a material adverse effect on the Company's results of operations, financial position or cash flows.

7.

Income Taxes

Our earnings before taxes increased 63% when compared to the same quarter in 2011, while our income tax expense increased by \$3,937, to \$21,532 for the 13-week period ended June 30, 2012, from \$17,595 for the 13-week period ended June 25, 2011. The effective tax rate was 10.4% in the second quarter of 2012 and 13.8% in the second quarter of 2011. The decrease in the effective tax rate was primarily driven by the release of income tax reserves due to the expiration of statute of limitations in Taiwan. The effective tax rate was 11.2% in the first half of 2012 and 8.5% in the first half of 2011. The lower effective tax rate in 2011 was primarily driven by the release of reserves related to the expiration of certain statutes for Garmin Europe. This was partially offset by the release of income tax reserves due to the expiration of statute of limitations in Taiwan during the second quarter of 2012. The remaining difference relates to the mix of income by tax jurisdiction.

8.

Marketable Securities

The Accounting Standards Codification (ASC) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The ASC 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 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

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. All financial assets were valued using active markets (Level 1 inputs) at June 30, 2012 and December 31, 2011.

The following is a summary of the Company's marketable securities classified as available-for-sale securities at June 30, 2012:

| Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Other Than Temporary Impairment | Estimated Fair Value (Net Carrying Amount) |
|----------------|------------------------|-------------------------|---------------------------------|--|
|----------------|------------------------|-------------------------|---------------------------------|--|

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| | | | | | |
|--|--------------|-----------|-------------|-------------|--------------|
| Mortgage-backed securities | \$ 617,057 | \$ 12,539 | \$ (771) | \$ - | \$ 628,825 |
| Obligations of states and political subdivisions | 484,239 | 2,541 | (1,269) | - | 485,511 |
| U.S. corporate bonds | 188,735 | 1,114 | (2,313) | (1,274) | 186,262 |
| Other | 78,779 | (657) | (1,189) | - | 76,933 |
| Total | \$ 1,368,810 | \$ 15,537 | \$ (5,542) | \$ (1,274) | \$ 1,377,531 |

The following is a summary of the Company's marketable securities classified as available-for-sale securities at December 31, 2011:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Other Than Temporary Impairment | Estimated Fair Value (Net Carrying Amount) |
|--|----------------|------------------------|-------------------------|---------------------------------|--|
| Mortgage-backed securities | \$ 626,776 | \$ 12,936 | \$ (1,086) | \$ - | \$ 638,626 |
| Obligations of states and political subdivisions | 358,314 | 2,339 | (1,090) | - | 359,563 |
| U.S. corporate bonds | 134,763 | 815 | (2,260) | (1,274) | 132,044 |
| Other | 78,031 | 113 | (222) | - | 77,922 |
| Total | \$ 1,197,884 | \$ 16,203 | \$ (4,658) | \$ (1,274) | \$ 1,208,155 |

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

The amortized cost and estimated fair value of marketable securities at June 30, 2012, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

| | Cost | Estimated Fair Value |
|--|-------------|----------------------|
| Due in one year or less | \$97,602 | \$97,177 |
| Due after one year through five years | 526,888 | 526,302 |
| Due after five years through ten years | 238,828 | 240,293 |
| Due after ten years | 447,134 | 454,747 |
| Other (No contractual maturity dates) | 58,358 | 59,012 |
| | \$1,368,810 | \$1,377,531 |

9. Change in Accounting Estimate

During 2011, sales of products bundled with LMUs and premium traffic service increased significantly as a percentage of total product sales. Concurrently, market conditions caused decreases in the ASP and margins of comparable models year over year, new bundled products were introduced at lower ASPs, and the difference in pricing of bundled units and comparable unbundled models decreased considerably. Due to these changes, the Company determined it was appropriate to change its estimate of the per unit revenue and cost deferrals during the third quarter of 2011. Additional details are available in the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

The change in the per unit revenue deferral discussed above and increased amortization of previously deferred revenues are the principal factors which led to net deferred revenue of \$15.9 million and \$61.7 million during the 13-week periods ended June 30, 2012 and June 25, 2011, respectively, and \$15.2 million and \$83.5 million during the 26-week periods ended June 30, 2012 and June 25, 2011, respectively.

10. License Fees

During the second quarter of 2012, the Company determined certain license fee payments to one of its suppliers had exceeded contractual requirements since the third quarter of 2010. The periodic royalty audit by the supplier, which was already underway, was completed in June 2012, resulting in a net overpayment of such license fees of \$20.8 million. This credit is reflected in cost of goods sold for the 13-week and 26-week periods ended June 30, 2012 and is included in accounts receivable on the June 30, 2012 condensed consolidated balance sheet.

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 31, 2011. 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 31, 2011.

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 five 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 five 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:

| | 13-Weeks Ended | | | |
|-------------------------------------|----------------|---|---------------|---|
| | June 30, 2012 | | June 25, 2011 | |
| Net sales | 100 | % | 100 | % |
| Cost of goods sold | 41 | % | 52 | % |
| Gross profit | 59 | % | 48 | % |
| Advertising | 5 | % | 5 | % |
| Selling, general and administrative | 14 | % | 13 | % |
| Research and development | 11 | % | 10 | % |
| Total operating expenses | 30 | % | 28 | % |
| Operating income | 29 | % | 20 | % |
| Other income (expense), net | 0 | % | -1 | % |
| Income before income taxes | 29 | % | 19 | % |
| Provision for income taxes | 3 | % | 3 | % |
| Net income | 26 | % | 16 | % |

| | 26-Weeks Ended | | | |
|-------------------------------------|----------------|---|---------------|---|
| | June 30, 2012 | | June 25, 2011 | |
| Net sales | 100 | % | 100 | % |
| Cost of goods sold | 45 | % | 53 | % |
| Gross profit | 55 | % | 47 | % |
| Advertising | 5 | % | 5 | % |
| Selling, general and administrative | 15 | % | 13 | % |
| Research and development | 12 | % | 12 | % |
| Total operating expenses | 32 | % | 30 | % |
| Operating income | 23 | % | 17 | % |
| Other income (expense), net | 1 | % | 1 | % |
| Income before income taxes | 24 | % | 19 | % |
| Provision for income taxes | 3 | % | 2 | % |
| Net income | 21 | % | 17 | % |

Each of the Company's 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 (net sales), operating income, and income before taxes for each of our five 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.

| | Reportable Segments | | | | | Total |
|------------------------------|---------------------|-----------|-----------|-----------------|-----------|-------------|
| | Outdoor | Fitness | Marine | Auto/ Mobile | Aviation | |
| 13-Weeks Ended June 30, 2012 | | | | | | |
| Net sales | \$100,496 | \$81,812 | \$67,790 | \$392,124 | \$75,932 | \$718,154 |
| Operating income | \$43,739 | \$34,146 | \$18,427 | \$87,108 | \$20,586 | \$204,006 |
| Income before taxes | \$44,040 | \$33,334 | \$18,330 | \$90,836 | \$20,896 | \$207,436 |
| 13-Weeks Ended June 25, 2011 | | | | | | |
| Net sales | \$81,007 | \$78,014 | \$79,117 | \$362,706 | \$73,255 | \$674,099 |
| Operating income | \$35,667 | \$25,384 | \$23,357 | \$25,277 | \$21,906 | \$131,591 |
| Income before taxes | \$34,921 | \$24,568 | \$22,094 | \$23,228 | \$22,261 | \$127,072 |
| 26-Weeks Ended June 30, 2012 | | | | | | |
| Net sales | \$177,659 | \$153,026 | \$123,854 | \$671,393 | \$148,819 | \$1,274,751 |
| Operating income | \$69,648 | \$54,797 | \$27,205 | \$105,043 | \$37,646 | \$294,339 |
| Income before taxes | \$71,017 | \$56,063 | \$27,891 | \$113,579 | \$38,441 | \$306,991 |
| 26-Weeks Ended June 25, 2011 | | | | | | |
| Net sales | \$147,458 | \$134,382 | \$130,425 | \$627,255 | \$142,413 | \$1,181,933 |
| Operating income | \$60,474 | \$40,841 | \$38,490 | \$26,872 | \$39,667 | \$206,344 |
| Income before taxes | \$63,109 | \$43,066 | \$40,523 | \$34,884 | \$42,416 | \$223,998 |

Comparison of 13-Weeks Ended June 30, 2012 and June 25, 2011

(Amounts included in the following discussion are stated in thousands unless otherwise indicated)

Net Sales

| | 13-weeks ended June 30, 2012 | | 13-weeks ended June 25, 2011 | | Quarter over Quarter | | | |
|-------------------|------------------------------|---------------|------------------------------|---------------|----------------------|----------|--|--|
| | Net Sales | % of Revenues | Net Sales | % of Revenues | \$ Change | % Change | | |
| Outdoor | \$ 100,496 | 14 % | \$ 81,007 | 12 % | \$ 19,489 | 24 % | | |
| Fitness | 81,812 | 11 % | 78,014 | 11 % | 3,798 | 5 % | | |
| Marine | 67,790 | 9 % | 79,117 | 12 % | (11,327) | -14 % | | |
| Automotive/Mobile | 392,124 | 55 % | 362,706 | 54 % | 29,418 | 8 % | | |
| Aviation | 75,932 | 11 % | 73,255 | 11 % | 2,677 | 4 % | | |
| Total | \$ 718,154 | 100 % | \$ 674,099 | 100 % | \$ 44,055 | 7 % | | |

Net sales increased 7% for the 13-week period ended June 30, 2012 when compared to the year-ago quarter. The increase occurred in all segments excluding marine. Automotive/mobile revenue remains the largest portion of our revenue mix at 55% in the second quarter of 2012 compared to 54% in the second quarter of 2011.

Total unit sales increased 4% to 3,906 in the second quarter of 2012 from 3,756 in the same period of 2011. The increase in unit sales volume in the second quarter of fiscal 2012 was primarily attributable to increasing volumes in the outdoor and automotive/mobile segments.

Automotive/mobile segment revenue increased 8% from the year-ago quarter, as volumes increased 3% and the average selling price (ASP) increased 5%. The volume gains were related to our acquisition of Navigon in July 2011, global market share gains and increasing volumes with our OEM partners. The ASP increase was driven by bundled product offerings, which carry higher ASPs, comprising a higher percentage of our product mix, the increasing impact of amortization of previously deferred revenues, and a reduced per unit revenue deferral rate due to a change in accounting estimate in the third quarter of 2011. Revenue deferrals net of amortization of previously recorded deferrals were \$16 million and \$62 million for the second quarter of 2012 and 2011, respectively. ASP gains associated with product mix shifting toward large screen, full-featured devices were partially offset by a declining ASP for comparable models from the previous year. Outdoor revenues increased 24% from the year-ago quarter as the Company gained market share in the GPS-enabled golf category, experienced strong sell-through of the refreshed eTrex® series and recognized the benefit of an acquisition completed in the second half of 2011. Revenue growth in our fitness segment slowed to 5% from the year-ago quarter as new products sold well offset by strong performance in 2011 driven by promotional activity on discontinued products and the launch of new products in that period as well. Marine revenues declined 14% from the year-ago quarter as the Company experienced a difficult global marine environment.

Cost of Goods Sold

| | 13-weeks ended June 30, 2012 | | 13-weeks ended June 25, 2011 | | Quarter over Quarter | | | |
|-------------------|------------------------------|---------------|------------------------------|---------------|----------------------|----------|---|--|
| | COGS | % of Revenues | COGS | % of Revenues | \$ Change | % Change | | |
| Outdoor | \$ 33,604 | 33 | % \$ 28,059 | 35 | % \$ 5,545 | 20 | % | |
| Fitness | 25,147 | 31 | % 32,512 | 42 | % (7,365) | -23 | % | |
| Marine | 24,651 | 36 | % 34,909 | 44 | % (10,258) | -29 | % | |
| Automotive/Mobile | 191,201 | 49 | % 233,918 | 64 | % (42,717) | -18 | % | |
| Aviation | 21,738 | 29 | % 22,601 | 31 | % (863) | -4 | % | |
| Total | \$ 296,341 | 41 | % \$ 351,999 | 52 | % \$ (55,658) | -16 | % | |

Cost of goods sold decreased 16% for the 13-week period ended June 30, 2012 when compared to the year ago quarter. The decrease was primarily driven by the automotive/mobile segment as cost of goods sold as a percentage of revenues decreased by 1570 basis points. The decline principally resulted from a \$21 million one-time royalty fee benefit related to license fee overpayments identified in the second quarter of 2012 and agreed to by the supplier (530 basis points), a \$40 million reduction in the year-over-year impact of deferred revenue and costs (610 basis points), and product mix shifting toward more recently introduced products carrying a higher margin profile. The reduced impact of deferred revenue is related to a reduced per unit revenue deferral rate due to a change in accounting estimate in the third quarter of 2011, as discussed in the Company's Form 10-K for the year ended December 31, 2011, and increased amortization of previously deferred revenues and costs. Marine and fitness also posted significant declines in cost of goods sold due to product mix and decreased promotional activities in the current year.

Gross Profit

| | 13-weeks ended June 30, 2012 | | 13-weeks ended June 25, 2011 | | Quarter over Quarter | | |
|-------------------|------------------------------|---------------|------------------------------|---------------|----------------------|----------|---|
| | Gross Profit | % of Revenues | Gross Profit | % of Revenues | \$ Change | % Change | |
| Outdoor | \$ 66,892 | 67 | % \$ 52,948 | 65 | % \$ 13,944 | 26 | % |
| Fitness | 56,665 | 69 | % 45,502 | 58 | % 11,163 | 25 | % |
| Marine | 43,139 | 64 | % 44,208 | 56 | % (1,069) | -2 | % |
| Automotive/Mobile | 200,923 | 51 | % 128,788 | 36 | % 72,135 | 56 | % |
| Aviation | 54,194 | 71 | % 50,654 | 69 | % 3,540 | 7 | % |
| Total | \$ 421,813 | 59 | % \$ 322,100 | 48 | % \$ 99,713 | 31 | % |

Gross profit dollars in the second quarter of 2012 increased 31% while gross profit margin increased 1100 basis points compared to the second quarter of 2011 driven primarily by the automotive/mobile segment. The automotive/mobile segment gross profit margin percentage improved to 51% driven primarily by the one-time royalty fee adjustment, increased amortization of previously deferred high margin revenue, a reduced per unit deferral and improved product mix, as discussed above. Marine and fitness gross profit margin percentage increased 780 basis points and 1090 basis points, respectively, from the year-ago quarter driven primarily by product mix shifting toward new products and less promotional activity in the current year as discussed above.

Advertising Expense

| | 13-weeks ended June 30, 2012 | | 13-weeks ended June 25, 2011 | | Quarter over Quarter | | |
|-------------------|------------------------------|---------------|------------------------------|---------------|----------------------|----------|---|
| | Advertising | % of Revenues | Advertising | % of Revenues | \$ Change | % Change | |
| Outdoor | \$ 5,703 | 6 | % \$ 4,301 | 5 | % \$ 1,402 | 33 | % |
| Fitness | 6,331 | 8 | % 4,763 | 6 | % 1,568 | 33 | % |
| Marine | 5,415 | 8 | % 3,789 | 5 | % 1,626 | 43 | % |
| Automotive/Mobile | 19,608 | 5 | % 19,987 | 6 | % (379) | -2 | % |
| Aviation | 1,201 | 2 | % 1,258 | 2 | % (57) | -5 | % |
| Total | \$ 38,258 | 5 | % \$ 34,098 | 5 | % \$ 4,160 | 12 | % |

Advertising expense increased 12% in absolute dollars. The increase in absolute dollars occurred in marine, fitness and outdoor, and was driven primarily by cooperative advertising and increased media placement in the respective segments. As a percentage of revenues, advertising expenses were 5% in the second quarter of both 2012 and 2011 though marine and fitness experienced 320 and 160 basis point increases, respectively, for the reasons discussed above.

Selling, General and Administrative Expense

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| | 13-weeks ended June 30, 2012 | | 13-weeks ended June 25, 2011 | | Quarter over Quarter | |
|-------------------|------------------------------------|---------------|------------------------------------|---------------|----------------------|----------|
| | Selling, General & Admin. Expenses | % of Revenues | Selling, General & Admin. Expenses | % of Revenues | \$ Change | % Change |
| Outdoor | \$12,398 | 12 | % \$9,175 | 11 | % \$3,223 | 35 |
| Fitness | 10,522 | 13 | % 9,850 | 13 | % 672 | 7 |
| Marine | 8,841 | 13 | % 9,822 | 12 | % (981) | -10 |
| Automotive/Mobile | 62,590 | 16 | % 53,715 | 15 | % 8,875 | 17 |
| Aviation | 4,895 | 6 | % 3,334 | 5 | % 1,561 | 47 |
| Total | \$99,246 | 14 | % \$85,896 | 13 | % \$13,350 | 16 |

Selling, general and administrative expense increased 16% in absolute dollars while increasing 110 basis points as a percentage of revenues compared to the year-ago quarter. The absolute dollar increase is primarily related to acquisitions in the second half of 2011, which added over \$8 million and increased legal costs of approximately \$8 million partially offset by a reduction in bad debt expense of approximately \$3 million.

Research and Development Expense

| | 13-weeks ended June 30, 2012 | | 13-weeks ended June 25, 2011 | | Quarter over Quarter | | |
|-------------------|------------------------------|---------------|------------------------------|---------------|----------------------|----------|---|
| | Research & Development | % of Revenues | Research & Development | % of Revenues | \$ Change | % Change | |
| Outdoor | \$5,052 | 5 | % \$3,805 | 5 | % \$1,247 | 33 | % |
| Fitness | 5,666 | 7 | % 5,505 | 7 | % 161 | 3 | % |
| Marine | 10,456 | 15 | % 7,240 | 9 | % 3,216 | 44 | % |
| Automotive/Mobile | 31,617 | 8 | % 29,809 | 8 | % 1,808 | 6 | % |
| Aviation | 27,512 | 36 | % 24,156 | 33 | % 3,356 | 14 | % |
| Total | \$80,303 | 11 | % \$70,515 | 10 | % \$9,788 | 14 | % |

Research and development expense increased 14% due to ongoing development activities for new products and the addition of over 350 new engineering personnel to our staff since the year-ago quarter, with over 200 engineers from recent acquisitions. Research and development costs increased \$9.8 million when compared with the year-ago quarter representing a 70 basis point increase as a percent of revenue as research and development growth slightly outpaced revenue growth.

Operating Income

| | 13-weeks ended June 30, 2012 | | 13-weeks ended June 25, 2011 | | Quarter over Quarter | | |
|-------------------|------------------------------|---------------|------------------------------|---------------|----------------------|----------|---|
| | Operating Income | % of Revenues | Operating Income | % of Revenues | \$ Change | % Change | |
| Outdoor | \$ 43,739 | 44 | % \$ 35,667 | 44 | % \$ 8,072 | 23 | % |
| Fitness | 34,146 | 42 | % 25,384 | 33 | % 8,762 | 35 | % |
| Marine | 18,427 | 27 | % 23,357 | 30 | % (4,930) | -21 | % |
| Automotive/Mobile | 87,108 | 22 | % 25,277 | 7 | % 61,831 | 245 | % |
| Aviation | 20,586 | 27 | % 21,906 | 30 | % (1,320) | -6 | % |
| Total | \$ 204,006 | 28 | % \$ 131,591 | 20 | % \$ 72,415 | 55 | % |

Operating income increased 55% in absolute dollars and increased 890 basis points as a percent of revenue when compared to the second quarter of 2011. Revenue growth and improving gross margin percentage, as discussed above, were only partially offset by increased operating expenses.

Other Income (Expense)

13-weeks ended 13-weeks ended

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| | June 30, 2012 | June 25, 2011 |
|---------------------------|---------------|---------------|
| Interest Income | \$ 8,620 | \$ 7,639 |
| Foreign Currency Exchange | (7,771) | (14,611) |
| Other | 2,581 | 2,453 |
| Total | \$ 3,430 | \$ (4,519) |

The average return on cash and investments during the second quarter of both 2012 and 2011 was 1.3%. The increase in interest income is attributable to increasing cash balances.

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 Taiwan Dollar is the functional currency of Garmin Corporation. The U.S. Dollar remains the functional currency of Garmin (Europe) Ltd. The Euro is the functional currency of most European subsidiaries. As these entities have grown, currency fluctuations can generate material gains and losses. Additionally, Euro-based inter-company transactions can also generate currency gains and losses. Due to the relative size of the entities using a functional currency other than the Taiwan Dollar, the Euro and the British Pound Sterling, currency fluctuations related to these entities are not expected to have a material impact on the Company's financial statements.

The majority of the \$7.8 million currency loss in the second quarter of 2012 was due to the strengthening of the U.S. Dollar compared to the Euro and the British Pound Sterling. The strengthening of the U.S. Dollar against the Taiwan Dollar contributed a partially offsetting gain. The movements of the Taiwan Dollar and Euro/British Pound Sterling have offsetting impacts due to the use of the Taiwan Dollar for manufacturing costs and cash held in non-functional currency while the Euro and British Pound Sterling transactions relate to revenue. During the second quarter of 2012, the U.S. Dollar strengthened 5.7% and 2.3% against the Euro and the British Pound Sterling, respectively, resulting in a \$17.7 million loss. Offsetting this loss, the U.S. Dollar strengthened 1.4% compared to the Taiwan Dollar resulting in a gain of \$11.7 million. The remaining net currency loss of \$1.8 million is related to other currencies and timing of transactions.

The majority of the \$14.6 million currency loss in the second quarter of 2011 was due to the weakening of the U.S. Dollar compared to the Taiwan Dollar. The U.S. Dollar weakened against the Euro and strengthened against the British Pound Sterling creating an immaterial impact. During the second quarter of 2011, the U.S. Dollar weakened 2.2% compared to the Taiwan Dollar resulting in a loss of \$14.6 million. The remaining currency gains and losses related to other currencies and timing of transactions were immaterial.

Income Tax Provision

Our earnings before taxes increased 63% when compared to the same quarter in 2011, and our income tax expense increased 22%, to \$21.5 million for the 13-week period ended June 30, 2012, from \$17.6 million for the 13-week period ended June 25, 2011. The effective tax rate was 10.4% in the second quarter of 2012 and 13.8% in the second quarter of 2011. The decrease in the effective tax rate was primarily driven by the release of income tax reserves due to the expiration of statute of limitations in Taiwan.

Net Income

As a result of the above, net income increased 70% for the 13-week period ended June 30, 2012 to \$185.9 million compared to \$109.5 million for the 13-week period ended June 25, 2011.

Comparison of 26-Weeks Ended June 30, 2012 and June 25, 2011

(Amounts included in the following discussion are stated in thousands unless otherwise indicated)

Net Sales

| | 26-weeks ended June 30, 2012 | | 26-weeks ended June 25, 2011 | | Year over Year | | | | |
|-------------------|------------------------------|---------------|------------------------------|---------------|----------------|----------|---|--|--|
| | Net Sales | % of Revenues | Net Sales | % of Revenues | \$ Change | % Change | | | |
| Outdoor | \$ 177,659 | 14 | % \$ 147,458 | 13 | % \$ 30,201 | 20 | % | | |
| Fitness | 153,026 | 12 | % 134,382 | 11 | % 18,644 | 14 | % | | |
| Marine | 123,854 | 10 | % 130,425 | 11 | % (6,571) | -5 | % | | |
| Automotive/Mobile | 671,393 | 52 | % 627,255 | 53 | % 44,138 | 7 | % | | |
| Aviation | 148,819 | 12 | % 142,413 | 12 | % 6,406 | 4 | % | | |
| Total | \$ 1,274,751 | 100 | % \$ 1,181,933 | 100 | % \$ 92,818 | 8 | % | | |

Net sales increased 8% for the 26-week period ended June 30, 2012 when compared to the year-ago period. The increase occurred across all segments excluding marine with the greatest increase in the outdoor and fitness segments. Automotive/mobile revenue remains the largest portion of our revenue mix, but declined from 53% in the first half of 2011 to 52% in the first half of 2012.

Total unit sales increased 5% to 6,624 in the first half of 2012 compared to 6,281 in the same period of 2011. The unit sales volume increase in the first half of fiscal 2012 was primarily attributable to increasing volumes in the outdoor and automotive/mobile segments.

Automotive/mobile segment revenue increased 7% from the year-ago period, as volumes increased 3% and the average selling price (ASP) increased 3%. The volume gains were related to our acquisition of Navigon in July 2011, global market share gains and increasing volumes with our OEM partners. The ASP increase was driven by bundled product offerings, which carry higher ASPs, comprising a higher percentage of our product mix, the increasing impact of amortization of previously deferred revenues, and a reduced per unit revenue deferral rate due to a change in accounting estimate in the third quarter of 2011. Revenue deferrals net of amortization of previously recorded deferrals were \$15 million and \$84 million for the 26-week periods ended June 30, 2012 and June 25, 2011, respectively. ASP gains were partially offset by a declining ASP for comparable models from the previous year. Outdoor revenues increased 20% from the year-ago period as the Company gained market share in the GPS-enabled golf category, experienced strong sell-through of the refreshed eTrex series and recognized the benefit of an acquisition completed in the second half of 2011. Revenue growth in our fitness segment was 14% compared to the year-ago period as strong first quarter results related to the launch of new products were muted in the second quarter as we compared against strong performance in 2011 driven by promotional activity on discontinued products and the launch of new products.

Cost of Goods Sold

| | 26-weeks ended June 30, 2012 | | 26-weeks ended June 25, 2011 | | Year over Year | | | |
|-------------------|------------------------------|---------------|------------------------------|---------------|----------------|----------|--|--|
| | Cost of Goods | % of Revenues | Cost of Goods | % of Revenues | \$ Change | % Change | | |
| Outdoor | \$ 63,505 | 36 % | \$ 53,157 | 36 % | \$ 10,348 | 19 % | | |
| Fitness | 52,866 | 35 % | 55,089 | 41 % | (2,223) | -4 % | | |
| Marine | 47,220 | 38 % | 53,019 | 41 % | (5,799) | -11 % | | |
| Automotive/Mobile | 360,640 | 54 % | 415,915 | 66 % | (55,275) | -13 % | | |
| Aviation | 44,949 | 30 % | 44,279 | 31 % | 670 | 2 % | | |
| Total | \$ 569,180 | 45 % | \$ 621,459 | 53 % | \$(52,279) | -8 % | | |

Cost of goods sold decreased 8% for the 26-week period ended June 30, 2012 when compared to the year ago period. The decrease was primarily driven by the automotive/mobile segment as cost of goods sold as a percentage of revenues decreased by 1260 basis points. The decline principally resulted from the \$21 million one-time royalty fee benefit discussed above (310 basis points), a \$58 million reduction in the year-over-year impact of deferred revenue and costs (520 basis points), and product mix shifting toward more recently introduced products carrying a higher margin profile. The reduced impact of deferred revenue is related to a reduced per unit revenue deferral rate due to a change in accounting estimate in the third quarter of 2011, as discussed in the Company's Form 10-K for the year ended December 31, 2011, and increased amortization of previously deferred revenues and costs. Marine also posted significant declines in cost of goods sold as a percentage of revenue due to product mix and decreased promotional activities.

Gross Profit

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| | 26-weeks ended June 30, 2012 | | 26-weeks ended June 25, 2011 | | Year over Year | | | | |
|-------------------|------------------------------|---------------|------------------------------|---------------|----------------|----------|---|--|--|
| | Gross Profit | % of Revenues | Gross Profit | % of Revenues | \$ Change | % Change | | | |
| Outdoor | \$ 114,154 | 64 | % \$ 94,301 | 64 | % \$ 19,853 | 21 | % | | |
| Fitness | 100,160 | 65 | % 79,293 | 59 | % 20,867 | 26 | % | | |
| Marine | 76,634 | 62 | % 77,406 | 59 | % (772) | -1 | % | | |
| Automotive/Mobile | 310,753 | 46 | % 211,340 | 34 | % 99,413 | 47 | % | | |
| Aviation | 103,870 | 70 | % 98,134 | 69 | % 5,736 | 6 | % | | |
| Total | \$ 705,571 | 55 | % \$ 560,474 | 47 | % \$ 145,097 | 26 | % | | |

Gross profit dollars in the first half of 2012 increased 26% while gross profit margin increased 790 basis points compared to the first half of 2011 driven largely by the automotive/mobile segment. The automotive/mobile segment gross profit margin percentage improved to 46% driven primarily by the one-time royalty fee adjustment, increased amortization of previously deferred high margin revenue, a reduced per unit deferral and improved product mix, as discussed above. Fitness gross profit margin percentage increased 650 basis points from the year-ago period driven primarily by product mix improvement and less promotional activity in the current year, as discussed above.

Advertising Expense

| | 26-weeks ended June 30, 2012 | | 26-weeks ended June 25, 2011 | | Year over Year | | | |
|-------------------|------------------------------|---------------|------------------------------|---------------|----------------|----------|--|--|
| | Advertising Expense | % of Revenues | Advertising Expense | % of Revenues | \$ Change | % Change | | |
| Outdoor | \$ 8,765 | 5 % | \$ 7,202 | 5 % | \$ 1,563 | 22 % | | |
| Fitness | 11,102 | 7 % | 8,243 | 6 % | 2,859 | 35 % | | |
| Marine | 9,346 | 8 % | 6,227 | 5 % | 3,119 | 50 % | | |
| Automotive/Mobile | 29,685 | 4 % | 30,135 | 5 % | (450) | -1 % | | |
| Aviation | 2,951 | 2 % | 2,247 | 2 % | 704 | 31 % | | |
| Total | \$ 61,849 | 5 % | \$ 54,054 | 5 % | \$ 7,795 | 14 % | | |

Advertising expense increased 14% in absolute dollars. The increase in absolute dollars occurred in marine, fitness and outdoor, and was driven primarily by cooperative advertising and increased media placement in the respective segments. As a percentage of revenues, advertising expenses were 5% in the first half of both 2012 and 2011 though marine experienced a 280 basis point increase for the reasons discussed above.

Selling, General and Administrative Expenses

| | 26-weeks ended June 30, 2012 | | 26-weeks ended June 25, 2011 | | Year over Year | | | |
|-------------------|------------------------------------|---------------|------------------------------------|---------------|----------------|----------|--|--|
| | Selling, General & Admin. Expenses | % of Revenues | Selling, General & Admin. Expenses | % of Revenues | \$ Change | % Change | | |
| Outdoor | \$ 25,663 | 14 % | \$ 18,781 | 13 % | \$ 6,882 | 37 % | | |
| Fitness | 23,016 | 15 % | 19,261 | 14 % | 3,755 | 19 % | | |
| Marine | 20,118 | 16 % | 18,171 | 14 % | 1,947 | 11 % | | |
| Automotive/Mobile | 112,270 | 17 % | 94,646 | 15 % | 17,624 | 19 % | | |
| Aviation | 8,295 | 6 % | 8,223 | 6 % | 72 | 1 % | | |
| Total | \$ 189,362 | 15 % | \$ 159,082 | 13 % | \$ 30,280 | 19 % | | |

Selling, general and administrative expense increased in both absolute dollars and as a percentage of revenues compared to the year-ago period. As a percent of sales, selling, general and administrative expenses increased from 13% of sales in the first half of 2011 to 15% of sales in the first half of 2012. The absolute dollar increase is primarily related to acquisitions in the second half of 2011, which added over \$18 million, and increased legal costs and reserves partially offset by a reduction in bad debt expense.

Research and Development Expense

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| | 26-weeks ended June 30, 2012 | | 26-weeks ended June 25, 2011 | | Year over Year | | | |
|-------------------|------------------------------|---------------|------------------------------|---------------|----------------|----------|---|--|
| | Research & Development | % of Revenues | Research & Development | % of Revenues | \$ Change | % Change | | |
| Outdoor | \$ 10,078 | 6 | % \$ 7,844 | 5 | % \$ 2,234 | 28 | % | |
| Fitness | 11,245 | 7 | % 10,948 | 8 | % 297 | 3 | % | |
| Marine | 19,965 | 16 | % 14,518 | 11 | % 5,447 | 38 | % | |
| Automotive/Mobile | 63,755 | 9 | % 59,687 | 10 | % 4,068 | 7 | % | |
| Aviation | 54,978 | 37 | % 47,997 | 34 | % 6,981 | 15 | % | |
| Total | \$ 160,021 | 13 | % \$ 140,994 | 12 | % \$ 19,027 | 13 | % | |

Research and development expense increased 13% due to ongoing development activities for new products and the addition of over 350 new engineering personnel to our staff since the same period of 2011, with over 200 engineers from recent acquisitions. Research and development costs increased \$19.0 million when compared with the year-ago period representing a 60 basis point increase as a percent of revenue as research and development growth slightly outpaced revenue growth.

Operating Income

| | 26-weeks ended June 30, 2012 | | 26-weeks ended June 25, 2011 | | Year over Year | | | | |
|-------------------|------------------------------|---------------|------------------------------|---------------|----------------|----------|---|--|--|
| | Operating Income | % of Revenues | Operating Income | % of Revenues | \$ Change | % Change | | | |
| Outdoor | \$ 69,648 | 39 | % \$ 60,474 | 41 | % \$9,174 | 15 | % | | |
| Fitness | 54,797 | 36 | % 40,841 | 30 | % 13,956 | 34 | % | | |
| Marine | 27,205 | 22 | % 38,490 | 30 | % (11,285) | -29 | % | | |
| Automotive/Mobile | 105,043 | 16 | % 26,872 | 4 | % 78,171 | 291 | % | | |
| Aviation | 37,646 | 25 | % 39,667 | 28 | % (2,021) | -5 | % | | |
| Total | \$ 294,339 | 23 | % \$ 206,344 | 17 | % \$87,995 | 43 | % | | |

Operating income increased 560 basis points as a percent of revenue and 43% in absolute dollars when compared to the year-ago period as revenue growth and improved gross margins, as discussed above, were only partially offset by increased operating expenses.

Other Income (Expense)

| | 26-weeks ended June 30, 2012 | 26-weeks ended June 25, 2011 |
|---------------------------|---------------------------------|---------------------------------|
| Interest Income | \$ 18,291 | \$ 14,854 |
| Foreign Currency Exchange | (9,760) | (2,471) |
| Other | 4,121 | 5,271 |
| Total | \$ 12,652 | \$ 17,654 |

The average return on cash and investments during the first half of 2012 was 1.4% compared to 1.3% during the same period of 2011. The increase in interest income is attributable to increasing cash balances and a slight increase in interest rates.

The majority of the \$9.8 million currency loss in the first half of 2012 was due to the strengthening of the U.S. Dollar compared to the Euro and the weakening of the U.S. Dollar compared to the Taiwan Dollar. The movements of the Taiwan Dollar and Euro/British Pound Sterling have offsetting impacts due to the use of the Taiwan Dollar for manufacturing costs and cash held in non-functional currency while the Euro and British Pound Sterling transactions relate to revenue. During the first half of 2012, the U.S. Dollar strengthened 2.9% against the Euro resulting in a \$4.7 million loss. The U.S. Dollar weakened 0.7% compared to the Taiwan Dollar resulting in a loss of \$5.7 million. The remaining net currency gain of \$0.6 million is related to other currencies and timing of transactions.

The majority of the \$2.5 million currency loss in the first half of 2011 was due to the weakening of the U.S. Dollar compared to the Euro, Taiwan Dollar and other global currencies. During the first half of 2011, the U.S. Dollar weakened 8.4% and 3.6%, respectively, compared to the Euro and the British Pound Sterling, resulting in a gain of \$33.0 million. In addition, the U.S. Dollar weakened 5.6% against the Taiwan Dollar, resulting in a \$36.7 million loss. The remaining net currency gain of \$1.2 million related to other currencies and timing of transactions.

Income Tax Provision

Our earnings before taxes increased 37% when compared to the same period in 2011, while our income tax expense increased by 80%, to \$34.2 million, for the 26-week period ended June 30, 2012, from \$19.0 million for the 26-week period ended June 25, 2011. The effective tax rate was 11.2% in the first half of 2012 and 8.5% in the first half of 2011. The lower effective tax rate in 2011 was primarily driven by the release of reserves related to the expiration of certain statutes for Garmin Europe. This was partially offset by the release of income tax reserves due to the expiration of statute of limitations in Taiwan during the second quarter of 2012. The remaining difference relates to the mix of income by tax jurisdiction.

Net Income

As a result of the above, net income increased 33% for the 26-week period ended June 30, 2012 to \$272.8 million compared to \$205.0 million for the 26-week period ended June 25, 2011.

Liquidity and Capital Resources

Net cash generated by operating activities was \$345.1 million for the 26-week period ended June 30, 2012 compared to \$411.0 million for the 26-week period ended June 25, 2011. The year-over-year decline in cash provided by operating activities was driven by working capital changes partially offset by improved net income. The largest change was a decrease in cash provided by accounts receivable in the first half of 2012 as we experienced better collections in the fourth quarter of 2011 due to a 53-week fiscal year and improved payment terms compared to fourth quarter of 2010. Primary drivers of the cash generation in 2012 included \$272.8 million of net income with non-cash adjustments for depreciation/amortization of \$51.1 million, unrealized foreign currency losses of \$18.6 million and stock compensation expense of \$18.0 million, and \$117.4 million related to accounts receivable collections. This cash generation was partially offset by uses of cash including a \$103.3 million reduction in other current and noncurrent liabilities related primarily to payments of royalties, payroll, advertising and sales program accruals, which are normally higher at year end, and a \$32.6 million reduction in income taxes payable due to timing of payments.

Cash flow used in investing activities during the 26-week period ending June 30, 2012 was \$200.2 million compared to \$274.3 million in the 26-week period ended June 25, 2011. Cash flow used in investing activities in 2012 principally related to the net purchase of \$175.3 million of fixed income securities associated with the investment of our on-hand cash balances, \$17.4 million in capital expenditures primarily to support our engineering, manufacturing and general business operations, \$4.7 million for purchases of intangible assets and \$2.8 million for acquisitions, net of cash acquired. In the first half of 2011, we had a \$257.3 million net purchase of marketable securities due to the timing of cash receipts from accounts receivable. 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 average return on cash and investments during the 26-weeks ended June 30, 2012 was 1.4%.

Net cash used in financing activities during the period was \$160.7 million resulting from the use of \$165.6 million for payment of our declared dividend offset by the net impact of transactions related to our Company stock option plans and stock based compensation tax benefits. There was no dividend payment in the 26-weeks ended June 25, 2011 resulting in net cash provided by financing activities of \$5.2 million due to the net impact of transactions related to our Company stock option plans and stock based compensation tax benefits.

We believe that our existing cash balances and cash flow from operations will be sufficient to meet our projected capital expenditures, working capital, payment of dividends, and other cash requirements at least through the end of fiscal 2012.

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 improved product mix and success in obtaining price reductions in raw material costs.

Inflation

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

Foreign Currency Exchange Rate Risk

The operation of 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 the Accounting Standards Code, 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 reporting currency of Garmin Ltd. Sales, costs, and expenses are translated at rates prevailing during the reporting periods and at end-of-period rates for all assets and liabilities. The effect of this translation is recorded in a separate component of stockholders' equity and has been included in accumulated other comprehensive income in the accompanying condensed consolidated balance sheets and condensed consolidated statements of comprehensive income.

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 most other European subsidiaries, and as a result, Euro currency movement may generate material gains and losses. Additionally, Euro-based inter-company transactions in Garmin Ltd. can also generate currency gains and losses. Due to the relative size of entities using a functional currency other than the

Taiwan Dollar, the Euro and the British Pound Sterling, currency fluctuations within these entities are not expected to have a material impact on the Company's financial statements.

Interest Rate Risk

As of June 30, 2012, we are exposed to interest rate risk in connection with our investments in marketable securities. As interest rates change, the unrealized gains and losses associated with those securities will fluctuate accordingly. As we have no outstanding long term debt, we have no meaningful debt-related interest rate risk.

Item 4. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* The Company maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that information, which is required to be timely disclosed, is accumulated and communicated to management in a timely fashion. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. As of June 30, 2012, 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 June 30, 2012 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 June 30, 2012 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

Ambato Media, LLC v. Clarion Co., Ltd., Clarion Corporation of America, Delphi Corporation, Fujitsu Limited, Fujitsu Ten Corporation of America, Garmin Ltd., Garmin International, Inc., Victor Company of Japan Ltd., JVC Americas Corporation, JVC Kenwood Holdings, Inc., J&K Car Electronics Corporation, LG Electronics, Inc., LG Electronics USA, Inc., MiTAC International Corporation, MiTAC Digital Corporation, Mio Technology USA Ltd., Navigon, Inc. Nextar Inc., Panasonic Corporation, Panasonic Corporation of North America, Pioneer Corporation, Pioneer Electronics (USA) Inc., Sanyo Electric Co., Ltd., Sanyo North America Corporation, Sanyo Electronic Device (U.S.A.) Corporation, TomTom N.V., TomTom International B.V., and TomTom, Inc.

On August 14, 2009, Ambato Media, LLC filed suit in the United States District Court for the Eastern District of Texas against Garmin Ltd. and Garmin International, Inc. along with several codefendants alleging infringement of U.S. Patent No. 5,432,542 (“the ‘542 patent”). On September 28, 2009, Garmin filed its answer and counterclaims asserting that each asserted claim of the ‘542 patent is invalid and/or not infringed. Following a trial, the jury issued a verdict on July 18, 2012 finding that the ‘542 patent was infringed and awarding damages of \$500,000 to Ambato Media, LLC. Garmin intends to file a motion for judgment to be entered for Garmin notwithstanding the verdict.

Avocet Sports Technology, Inc. v. Garmin International, Inc., Implus Footcare, LLC d/b/a Highgear, Polar Electro, Inc., Brunton d/b/a Brunton Outdoor Group, and Casio America, Inc.

On August 18, 2011, Avocet Sports Technology, Inc. (“Avocet”) filed suit in the United States District Court for the Northern District of California against five companies, including Garmin International, Inc., alleging infringement of U.S. Patent No. 5,058,427 (“the ‘427 patent”). On November 16, 2011, Garmin filed its answer asserting that each asserted claim of the ‘427 patent is not infringed and/or invalid. On November 16, 2011, Garmin filed a motion to dismiss this lawsuit for failure to state a claim on which relief can be granted. On March 22, 2012, this lawsuit was dismissed without prejudice by the court. On April 16, 2012 Avocet re-filed the lawsuit. 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 the claims in this lawsuit are without merit and intends to vigorously defend this action.

Bandspeed, Inc. v. Acer, Inc., Acer American Corporation, Belkin International, Inc., Belkin, Inc., Casio Computer Co., Ltd., Xasio Hitachi Mobile Communications Co. Ltd., Xasio America, Inc., Dell Inc., Garmin International, Inc., Garmin USA, Inc., GN Netcom A/S, GN U.S. Inc. a/k/a GN Netcom Inc., Hewlett-Packard Company, Hewlett-Packard Development Company, L.P., HTC Corporation, HTC America, Inc., Huawei Technologies Co. Ltd., Kyocera

Corporation, Kyocera International, Inc., Kyocera Communications, Inc., Kyocera Wireless Corporation, Lenovo (United States), Inc., LG Electronics, Inc., LG Electronics U.S.A. Inc., LG Electronics Mobilecomm U.S.A. Inc., Motorola, Inc., Nokia Corporation, Nokia Inc., Pantech Wireless, Inc. Plantronics, inc., Research in Motion Ltd., Research in Motion Corporation, Samsung Telecommunications America, LLC, TomTom International B.V., TomTom, Inc., Toshiba Corporation, Toshiba America information Systems, Inc., and Toshiba America, Inc.

On June 30, 2010, Bandspeed, Inc. filed suit in the United States District Court for the Eastern District of Texas against 38 companies, including Garmin International, Inc. and Garmin USA, Inc. alleging infringement of U.S. Patent No 7,027,418 (“the ‘418 patent”) and U.S. Patent No 7,670,614 (“the ‘614 patent”). On January 21, 2011, Bandspeed, Inc. filed an amended complaint adding additional claims against several of the codefendants, but not against Garmin. On February 22, 2011, Garmin filed its answer to the amended complaint with counterclaims asserting that the asserted claims of the ‘418 and ‘614 patents are invalid and not infringed. On August 15, 2011, the court granted Garmin’s motion to transfer venue and transferred the case to the Western District of Texas. On December 23, 2011, Bandspeed, Inc. filed a second amended complaint adding additional claims against Garmin. On January 24, 2012, Garmin filed a motion to dismiss these additional claims. 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 the claims in this lawsuit are without merit and intends to vigorously defend this action.

Beacon Wireless Solutions, Inc. et al. v. Garmin International, Inc., and Garmin USA, Inc.

On March 21, 2011, Beacon Wireless Solutions, Inc. (“Beacon”) and Beacon Wireless Europe (UK) Limited (“Beacon Europe”) filed suit in the United States District Court for the District of the Western District of Virginia against Garmin International, Inc. and Garmin USA, Inc. (collectively “Garmin”), alleging trade secret misappropriation, breach of a non-disclosure agreement, breach of implied in-fact contract, and unjust enrichment. Beacon and Garmin have agreed to a settlement and the amount of the settlement is not material to Garmin’s operating results, liquidity or financial position.

Cuozzo Speed Technologies, LLC, v Garmin International Inc., Garmin USA, INC., and Chrysler Group LLC.

On June 19, 2012, Cuozzo Speed Technologies, LLC filed suit in the United States District Court for the District of New Jersey against Garmin International, Inc., Garmin USA, INC., (collectively “Garmin”) and Chrysler Group LLC, alleging infringement of U.S. Patent No. 6,778,074. On July 16, 2012, Garmin filed its answer asserting that each asserted claim of the patent-in-suit is invalid and/or not infringed. 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 the claims in this lawsuit are without merit and intends to vigorously defend this action

Data Carriers, LLC v. Garmin USA, Inc.

On March 16, 2012, Data Carriers, LLC filed suit in the United States District Court for the District of Delaware against Garmin USA, Inc. alleging infringement of U.S. Patent No. 5,388,198. On April 10, 2012, Garmin filed a

motion to dismiss this lawsuit for failure to state a claim on which relief can be granted. 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 the claims in this lawsuit are without merit and intends to vigorously defend this action

ICON Health & Fitness, Inc. v. Garmin Ltd., Garmin International, Inc., and Garmin USA, Inc.

On November 18, 2011, ICON Health & Fitness, Inc. filed suit in the United States District Court for the District of Utah against Garmin Ltd., Garmin International, Inc., and Garmin USA, Inc. (collectively “Garmin”), alleging infringement of U.S. Patent Nos. 7,789,800 and 6,701,271. On June 25, 2012, Garmin filed its answer asserting that each asserted claim of the patents-in-suit is invalid and/or not infringed. 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 the claims in this lawsuit are without merit and intends to vigorously defend this action.

In the Matter of Certain Semiconductor Chips and Products Containing Same

On December 1, 2010, Rambus Inc. filed a complaint with the United States International Trade Commission (the “ITC”) against 33 companies, including Garmin International, Inc., alleging a violation of Section 337 of the Tariff Act of 1930, as amended, through alleged infringement by Garmin and the other respondents of U.S. Patent No. 6,470,405 (“the ’405 patent”), U.S. Patent No. 6,591,353 (“the ’353 patent”), U.S. Patent No. 7,287,109 (“the ’109 patent”), U.S. Patent No. 7,602,857 (“the ’857 patent”), U.S. Patent No. 7,602,858 (“the ’858 patent”), and U.S. Patent No. 7,715,494 (“the ’494 patent”). Garmin’s semiconductor chip suppliers are also named in the complaint and Garmin believes these suppliers have indemnification obligations to defend Garmin in this matter. On February 1, 2011, Garmin filed its answer asserting that the asserted claims of the ’405, ’353, ’109, ’857, ’858, and the ’494 patents are invalid and/or not infringed. On September 1, 2011, the Board of Patent Appeals and Interferences issued a decision following reexamination of the ’109 patent affirming that all claims of the ’109 patent are invalid. The ITC’s hearing was held on October 12-20, 2011. On March 2, 2012 the Administrative Law Judge issued an initial determination finding no violation of Section 337. On July 25, 2012, the ITC issued a final determination finding no violation of Section 337. The ITC’s final determination is subject to appeal by Rambus. Although there can be no assurance that an unfavorable outcome of Rambus’ appeal would not have a material adverse effect on our operating results, liquidity or financial position, Garmin believes these claims are without merit and intends to vigorously defend any appeal.

In the Matter of Certain Wireless Consumer Electronics Devices and Components Thereof

On July 24, 2012, Technology Properties Limited LLC, Phoenix Digital Solutions LLC, and Patriot Scientific Corporation filed a complaint with the United States International Trade Commission against 24 companies, including Garmin Ltd., Garmin International, Inc., and Garmin USA, Inc. (collectively “Garmin”) alleging a violation of Section 337 of the Tariff Act of 1930, as amended, through alleged infringement by Garmin and the other respondents of U.S. Patent No. 5,809,336. Garmin believes that its semiconductor chip suppliers have indemnification obligations to defend Garmin in this matter. 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 these claims are without merit and intends to vigorously defend this action.

Norman IP Holdings, LLC v. Lexmark International, Inc., Ricoh Americas Corporation, Belkin International, Inc., BMW of North America, LLC, Daimler North America Corporation, Mercedes-Benz USA, LLC, D-Link Systems, Inc., Dish Network Corporation, Ford Motor Company, Garmin International, Inc., Garmin USA, Inc., General Electric Company, General Motors Company, JVC Americas Corporation, Novatel Wireless, Inc., Novatel Wireless Solutions, Inc., Novatel Wireless Technology, Inc., TomTom, Inc., Viewsonic Corporation, Vizio, Inc., Volkswagen Group of America, Inc., Xerox Corporation, ZTE (USA) Inc., and ZTE Solutions Inc.

On January 27, 2012, Norman IP Holdings, LLC filed an amended complaint in the United States District Court for the Eastern District of Texas naming 23 companies, including Garmin International, Inc. and Garmin USA, Inc.

(collectively “Garmin”) and alleging infringement of U.S. Patent Nos. 5,530,597, 5,502,689, 5,592,555, 5,608,873, and 5,771,394. On February 27, 2012 Garmin filed a motion to dismiss this lawsuit or, alternatively, for severance due to misjoinder. On March 1, 2012 Garmin filed a motion to disqualify the plaintiff’s counsel. These motions are currently pending before the court. 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 the claims of this lawsuit are without merit and intends to vigorously defend this action.

Pacing Technologies, LLC v. Garmin International, Inc., Garmin USA, Inc. and Garmin Ltd.

On May 1, 2012, Pacing Technologies, LLC filed suit in the United States District Court for the Southern District of California against Garmin International, Inc., Garmin USA, Inc. and Garmin Ltd alleging infringement of U.S. Patent No. 8,101,843. On July 6, 2012, Garmin filed its answer asserting that each asserted claim of the patent-in-suit is invalid and/or not infringed. 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 the claims in this lawsuit are without merit and intends to vigorously defend this action.

Silver State Intellectual Technologies, Inc. v. Garmin International, Inc. and Garmin USA, Inc.

On September 29, 2011, Silver State Intellectual Technologies, Inc. filed suit in the United States District Court for the District of Nevada against Garmin International, Inc. and Garmin USA, Inc. (collectively “Garmin”), alleging infringement of U.S. Patent Nos. 6,525,768; 6,529,824; 6,542,812; 7,343,165; 7,522,992; 7,593,812; 7,650,234; 7,702,455 and 7,739,039. On December 8, 2011, Garmin filed its answer asserting that each asserted claim of the patents-in-suit is invalid and/or not infringed. 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 the claims in this lawsuit are without merit and intends to vigorously defend this action.

Taranis IP LLC v. Garmin International, Inc., Universal Avionics Systems Corporation, Johnson Outdoors Marine Electronics, Inc., Johnson Outdoors Inc., Raymarine Inc., Raymarine UK Ltd., Navico, Inc., and Navico Holdings A.S.

On November 22, 2010, Taranis IP LLC filed suit in the United States District Court for the Northern District of Illinois against eight companies, including Garmin International, Inc., alleging infringement of U.S. Patent No. 5,995,903 (“the ‘903 patent”). On February 1, 2011, Garmin filed its answer and counterclaims asserting that each asserted claim of the ‘903 patent is invalid and/or not infringed. On August 31, 2011, the court granted Garmin’s motion and stayed this case pending the conclusion of the U.S. Patent and Trademark Office’s reexamination of the ‘903 patent. On June 29, 2012, the U.S. Patent and Trademark Office issued a second rejection of certain claims of the ‘903 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 the claims in this lawsuit are without merit and intends to vigorously defend this action.

Technology Properties Limited, LLC et al v. Garmin Ltd., Garmin International, Inc. and Garmin USA, Inc.

On July 25, 2012 Technology Properties Limited LLC, Phoenix Digital Solutions LLC, and Patriot Scientific Corporation filed suit in the U.S. District Court for the Northern District of California against Garmin Ltd., Garmin International, Inc., and Garmin USA, Inc. (collectively “Garmin”) alleging infringement by Garmin of one or more of the following patents: U.S. Patent No. 5,809,336, U.S. Patent No. 5,440,749 and U.S. Patent No. 5,530,890. 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 the claims in this action are without merit and intends to vigorously defend this action.

Triangle Software, LLC v. Garmin International, Inc., TomTom Inc., Volkswagen Group of America, Inc. and Westwood One, Inc.

On December 28, 2010, Triangle Software, LLC filed suit in the United States District Court for the Eastern District of Virginia against four companies, including Garmin International, Inc., alleging infringement of U.S. Patent No. 7,557,730 (“the ‘730 patent”), U.S. Patent No. 7,221,287 (“the ‘287 patent”), U.S. Patent No. 7,375,649 (“the ‘649 patent”), U.S. Patent No. 7,508,321 (“the ‘321 patent”), and U.S. Patent No. 7,702,452 (“the ‘452 patent”). On March 16, 2011, Garmin filed its amended answer asserting that the patents-in-suit are unenforceable because of the inequitable conduct committed by the inventors before the Patent Office and filed counterclaims asserting that each asserted claim of the ‘730, ‘287, ‘649, ‘321, and ‘452 patents is not infringed and/or invalid. On July 27, 2011, the court issued its claim construction order. Trial was held beginning on November 1, 2011. On November 9, 2011, the jury returned a partial verdict finding the patents-in-suit were valid and finding the ‘730, ‘287, and ‘321 patents were not infringed. The jury did not return a verdict regarding infringement of the ‘649 and ‘452 patents. On November 23, 2011, the parties filed motions with the court to resolve the remaining issues left unresolved by the jury’s partial verdict. On February 16, 2012, the court issued an order entering the jury’s verdict of non-infringement of the ‘730, ‘287, and ‘321 patents,

granting Garmin's motion for summary judgment of non-infringement of the '649 and '452 patents, and dismissing the case. On March 13, 2012 Triangle Software filed a motion to alter or amend judgment and a motion for a new trial. These motions were denied by the District Court on April 2, 2012. Triangle has filed an appeal to the United States Court of Appeals for the Federal Circuit. Although there can be no assurance that an unfavorable outcome of Triangle Software's appeal would not have a material adverse effect on our operating results, liquidity, or financial position, Garmin believes the claims in this lawsuit are without merit and intends to vigorously defend the appeal.

Visteon Global Technologies, Inc. and Visteon Technologies LLC v. Garmin International, Inc.

On February 10, 2010, Visteon Global Technologies, Inc. and Visteon Technologies LLC filed suit in the United States District Court for the Eastern District of Michigan, Southern Division, against Garmin International, Inc. alleging infringement of U.S. Patent No. 5,544,060 (“the ‘060 patent”), U.S. Patent No. 5,654,892 (“the ‘892 patent”), U.S. Patent No. 5,832, 408 (“the ‘408 patent”), U.S. Patent No 5,987,375 (“the ‘375 patent”) and U.S. Patent No 6,097,316 (“the ‘316 patent”). On May 17, 2010, Garmin filed its answer asserting that each claim of the ‘060 patent, the ‘892 patent, the ‘408 patent and the ‘375 patent is invalid and/or not infringed. On April 12, 2011, the special master appointed by the court held a claim construction hearing. On December 12, 2011, the court issued an order adopting the special master’s report construing the claims of the patents-in-suit. 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 the claims in this lawsuit are without merit and intends to vigorously defend this action.

In the normal course of business, the Company and its subsidiaries are parties to various legal claims, actions, and complaints, including matters involving patent infringement and other intellectual property claims and various other risks. It is not possible to predict with certainty whether or not the Company and its subsidiaries will ultimately be successful in any of these legal matters, or if not, what the impact might be. However, the Company’s management does not expect that the results in any of these legal proceedings will have a material adverse effect on the Company’s results of operations, financial position or cash flows.

Item 1A. Risk Factors

There are many risks and uncertainties that can affect our future business, financial performance or share price. In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. There have been no material changes during the 13-week period ended June 30, 2012 in the risks described in our Annual Report on Form 10-K. These risks, however, are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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

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

(c) Issuer Purchases of Equity Securities

The Board of Directors approved a share repurchase program on February 12, 2010, authorizing the Company to purchase up to \$300,000 of its common shares as market and business conditions warrant. The share repurchase authorization expired on December 31, 2011.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Not applicable

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.

Exhibit 101.INS XBRL Instance Document

Exhibit 101.SCH XBRL Taxonomy Extension Schema

Exhibit 101.CAL XBRL Taxonomy Extension Calculation Linkbase

Exhibit 101.LAB XBRL Taxonomy Extension Label Linkbase

Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase

Exhibit 101.DEF XBRL Taxonomy Extension Definition Linkbase

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: August 8, 2012

INDEX TO EXHIBITS

Exhibit No. Description

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

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

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

Exhibit 101.INS XBRL Instance Document

Exhibit 101.SCH XBRL Taxonomy Extension Schema

Exhibit 101.CAL XBRL Taxonomy Extension Calculation Linkbase

Exhibit 101.LAB XBRL Taxonomy Extension Label Linkbase

Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase

Exhibit 101.DEF XBRL Taxonomy Extension Definition Linkbase