ROYAL BANK OF CANADA
Form FWP
November 15, 2017

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| RBC Capital Markets® | Filed Pursuant to Rule 433<br>Registration Statement No. 333-208507 |

The information in this preliminary terms supplement is not complete and may be changed.

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| Preliminary Terms Supplement<br>Subject to Completion:<br>Dated November 14, 2017<br>Pricing Supplement Dated November __, 2017 to the Product Prospectus Supplement No. TP-1, the Prospectus Supplement and the Prospectus, Each Dated January 8, 2016 | $<br>Auto-Callable Contingent Coupon Barrier Notes Linked to the Lesser Performing of Three Equity Securities, Due November 27, 2020<br>Royal Bank of Canada |

Royal Bank of Canada is offering Auto-Callable Contingent Coupon Barrier Notes (the "Notes") linked to the lesser performing of three equity securities (each, a "Reference Stock" and collectively, the "Reference Stocks"). The Notes offered are senior unsecured obligations of Royal Bank of Canada, will pay a quarterly Contingent Coupon at the rate and under the circumstances specified below, and will have the terms described in the documents described above, as supplemented or modified by this terms supplement.

| Reference Stocks | Initial Stock Prices* | Coupon Barriers and Trigger Prices |
|---|---|---|
| Chipotle Mexican Grill, Inc. ("CMG") | | 60.00% of its Initial Stock Price |
| McDonald's Corporation ("MCD") | | 60.00% of its Initial Stock Price |
| Yum! Brands, Inc. ("YUM") | | 60.00% of its Initial Stock Price |

* For each Reference Stock, the Initial Stock Price will be its closing price on the Trade Date.

The Notes do not guarantee any return of principal at maturity. Any payments on the Notes are subject to our credit risk.

Investing in the Notes involves a number of risks. See "Risk Factors" beginning on page PS-5 of the product prospectus supplement dated January 8, 2016, on page S-1 of the prospectus supplement dated January 8, 2016, and "Selected Risk Considerations" beginning on page P-7 of this terms supplement.

The Notes will not constitute deposits insured by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other Canadian or U.S. government agency or instrumentality.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes or determined that this terms supplement is truthful or complete. Any representation to the contrary is a criminal offense.

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| Issuer: | Royal Bank of Canada | Stock Exchange Listing: | None |
| Trade Date: | November 22, 2017 | Principal Amount: | $1,000 per Note |
| Issue Date: | November 28, 2017 | Maturity Date: | November 27, 2020 |
| Observation Dates: | Quarterly, as set forth below. | Coupon Payment Dates: | Quarterly, as set forth below |
| Valuation Date: | November 23, 2020 | | |

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| Contingent Coupon Rate: | [10.15%-11.15%] per annum (to be determined on the Trade Date) |
| Contingent Coupon: | If the closing price of each Reference Stock is greater than or equal to its Coupon Barrier on the applicable Observation Date, we will pay the Contingent Coupon applicable to the corresponding Observation Date. You may not receive any Contingent Coupons during the term of the Notes. |
| Payment at Maturity (if held to maturity): | If the Notes are not previously called, we will pay you at maturity an amount based on the Final Stock Price of the Lesser Performing Reference Stock:<br>For each $1,000 in principal amount, $1,000 plus the Contingent Coupon at maturity, unless the Final Stock Price of the Lesser Performing Reference Stock is less than its Trigger Price.<br>If the Final Stock Price of the Lesser Performing Reference Stock is less than its Trigger Price, then the investor will receive at maturity, for each $1,000 in principal amount, a cash payment equal to:<br>$1,000 + ($1,000 x Reference Stock Return of the Lesser Performing Reference Stock)<br>Investors could lose some or all of their principal amount if the Final Stock Price of the Lesser Performing Reference Stock is below its Trigger Price. |
| Lesser Performing Reference Stock: | The Reference Stock with the lowest Reference Stock Return. |
| Call Feature: | If the closing price of each Reference Stock is greater than or equal to its Initial Stock Price on any Observation Date on or after May 22, 2018, the Notes will be automatically called for 100% of their principal amount, plus the Contingent Coupon applicable to the corresponding Observation Date. |
| Call Settlement Dates: | The Coupon Payment Date corresponding to that Observation Date. |
| Final Stock Price: | For each Reference Stock, its closing price on the Valuation Date. |
| CUSIP: | 78013XAT5 |

| | Per Note | Total |
|---|---|---|
| Price to public[(1)] | 100.00% | $ |
| Underwriting discounts and commissions[(1)] | 2.25% | $ |
| Proceeds to Royal Bank of Canada | 97.75% | $ |

[(1)]Certain dealers who purchase the Notes for sale to certain fee-based advisory accounts may forego some or all of their underwriting discount or selling concessions. The public offering price for investors purchasing the Notes in these accounts may be between $977.50 and $1,000 per $1,000 in principal amount.

The initial estimated value of the Notes as of the date of this terms supplement is $947.74 per $1,000 in principal amount, which is less than the price to public. The final pricing supplement relating to the Notes will set forth our estimate of the initial value of the Notes as of the Trade Date, which will not be less than $927.74 per $1,000 in principal amount. The actual value of the Notes at any time will reflect many factors, cannot be predicted with accuracy, and may be less than this amount. We describe our determination of the initial estimated value in more detail below.

If the Notes priced on the date of this terms supplement, RBC Capital Markets, LLC, which we refer to as RBCCM, acting as agent for Royal Bank of Canada, would receive a commission of approximately $22.50 per $1,000 in principal amount of the Notes and would use a portion of that commission to allow selling concessions to other dealers of up to approximately $22.50 per $1,000 in principal amount of the Notes. The other dealers may forgo, in their sole discretion, some or all of their selling concessions. See “Supplemental Plan of Distribution (Conflicts of Interest)” below.

RBC Capital Markets, LLC

Auto-Callable Contingent Coupon Barrier Notes
Linked to the Lesser Performing of Three
Equity Securities, Due November 27, 2020
Royal Bank of Canada

SUMMARY

The information in this "Summary" section is qualified by the more detailed information set forth in this terms supplement, the product prospectus supplement, the prospectus supplement, and the prospectus.

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| General: | This terms supplement relates to an offering of Auto-Callable Contingent Coupon Barrier Notes (the "Notes") linked to the lesser performing of three equity securities (the "Reference Stocks"). |
| Issuer: | Royal Bank of Canada ("Royal Bank") |
| Issue: | Senior Global Medium-Term Notes, Series G |
| Trade Date: | November 22, 2017 |
| Issue Date: | November 28, 2017 |
| Term: | Approximately three (3) years |
| Denominations: | Minimum denomination of $1,000, and integral multiples of $1,000 thereafter. |
| Designated Currency: | U.S. Dollars |
| Contingent Coupon: | We will pay you a Contingent Coupon during the term of the Notes, periodically in arrears on each Coupon Payment Date, under the conditions described below:<br>· If the closing price of each Reference Stock is greater than or equal to its Coupon Barrier on the applicable Observation Date, we will pay the Contingent Coupon applicable to that Observation Date.<br>· If the closing price of any of the Reference Stocks is less than its Coupon Barrier on the applicable Observation Date, we will not pay you the Contingent Coupon applicable to that Observation Date.<br>You may not receive a Contingent Coupon for one or more quarterly periods during the term of the Notes. |
| Contingent Coupon Rate: | [10.15%-11.15%] per annum ([2.5375% – 2.7875%] per quarter), to be determined on the Trade Date. |
| Observation Dates: | Quarterly on February 22, 2018, May 22, 2018, August 22, 2018, November 23, 2018, February 22, 2019, May 22, 2019, August 22, 2019, November 22, 2019, February 24, 2020, May 22, 2020, August 24, 2020 and the Valuation Date. |
| Coupon Payment Dates: | The Contingent Coupon, if applicable, will be paid quarterly on February 27, 2018, May 25, 2018, August 27, 2018, November 28, 2018, February 27, 2019, May 28, 2019, August 27, 2019, November 27, 2019, February 27, 2020, May 28, 2020, August 27, 2020 and the Maturity Date. |
| Record Dates: | The record date for each Coupon Payment Date will be the date one business day prior to that scheduled Coupon Payment Date; provided, however, that any Contingent Coupon payable at maturity or upon a call will be payable to the person to whom the payment at maturity or upon the call, as the case may be, will be payable. |
| Call Feature: | If, on any Observation Date on or after May 22, 2018, the closing price of each Reference Stock is greater than or equal to its Initial Stock Price, then the Notes will be automatically called. |
| Payment if Called: | If the Notes are automatically called, then, on the applicable Call Settlement Date, for each $1,000 principal amount, you will receive $1,000 plus the Contingent Coupon otherwise due on that Call Settlement Date. |
| Call Settlement Dates: | If the Notes are called on any Observation Date on or after May 22, 2018, the Call Settlement Date will be the Coupon Payment Date corresponding to that Observation Date. |
| Valuation Date: | November 23, 2020 |
| Maturity Date: | November 27, 2020 |
| Initial Stock Price: | For each Reference Stock, its closing price on the Trade Date. |

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Linked to the Lesser Performing of Three
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| Final Stock Price: | For each Reference Stock, its closing price on the Valuation Date. |
| Trigger Price and Coupon Barrier: | For each Reference Stock, 60.00% of its Initial Stock Price. |
| Payment at Maturity (if not previously called and held to maturity): | If the Notes are not previously called, we will pay you at maturity an amount based on the Final Stock Price of the Lesser Performing Reference Stock:<br>· If the Final Stock Price of the Lesser Performing Reference Stock is greater than or equal to its Trigger Price, we will pay you a cash payment equal to the principal amount plus the Contingent Coupon otherwise due on the Maturity Date.<br>· If the Final Stock Price of the Lesser Performing Reference Stock is below its Trigger Price, you will receive at maturity, for each $1,000 in principal amount, a cash payment equal to:<br>$1,000 + ($1,000 x Reference Stock Return of the Lesser Performing Reference Stock)<br>The amount of cash that you receive will be less than your principal amount, if anything, resulting in a loss that is proportionate to the decline of the Lesser Performing Reference Stock from the Trade Date to the Valuation Date. Investors in the Notes will lose some or all of their principal amount if the Final Stock Price of the Lesser Performing Reference Stock is less than its Trigger Price. |
| Stock Settlement: | Not applicable. Payments on the Notes will be made solely in cash. |
| Reference Stock Return: | With respect to each Reference Stock:<br>$\frac{\text{Final Stock Price} - \text{Initial Stock Price}}{\text{Initial Stock Price}}$ |
| Lesser Performing Reference Stock: | The Reference Stock with the lowest Reference Stock Return. |
| Market Disruption Events: | The occurrence of a market disruption event (or a non-trading day) as to any of the Reference Stocks will result in the postponement of an Observation Date or the Valuation Date as to that Reference Stock, as described in the product prospectus supplement, but not to any non-affected Reference Stock. |
| Calculation Agent: | RBC Capital Markets, LLC ("RBCCM") |
| U.S. Tax Treatment: | By purchasing a Note, each holder agrees (in the absence of a change in law, an administrative determination or a judicial ruling to the contrary) to treat the Notes as a callable pre-paid cash-settled contingent income-bearing derivative contract linked to the Reference Stocks for U.S. federal income tax purposes. However, the U.S. federal income tax consequences of your investment in the Notes are uncertain and the Internal Revenue Service could assert that the Notes should be taxed in a manner that is different from that described in the preceding sentence. Please see the section below, "Supplemental Discussion of U.S. Federal Income Tax Consequences," and the discussion (including the opinion of our counsel Morrison & Foerster LLP) in the product prospectus supplement dated January 8, 2016 under "Supplemental Discussion of U.S. Federal Income Tax Consequences," which apply to the Notes. |
| Secondary Market: | RBCCM (or one of its affiliates), though not obligated to do so, may maintain a secondary market in the Notes after the Issue Date. The amount that you may receive upon sale of your Notes prior to maturity may be less than the principal amount. |
| Listing: | The Notes will not be listed on any securities exchange. |

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| Settlement: | DTC global (including through its indirect participants Euroclear and Clearstream, Luxembourg as described under “Description of Debt Securities—Ownership and Book-Entry Issuance” in the prospectus dated January 8, 2016). |
| Terms Incorporated in the Master Note: | All of the terms appearing above the item captioned “Secondary Market” on the cover page and pages P-2 and P-3 of this terms supplement and the terms appearing under the caption “General Terms of the Notes” in the product prospectus supplement dated January 8, 2016, as modified by this terms supplement. |

ADDITIONAL TERMS OF YOUR NOTES

You should read this terms supplement together with the prospectus dated January 8, 2016, as supplemented by the prospectus supplement dated January 8, 2016 and the product prospectus supplement dated January 8, 2016, relating to our Senior Global Medium-Term Notes, Series G, of which these Notes are a part. Capitalized terms used but not defined in this terms supplement will have the meanings given to them in the product prospectus supplement. In the event of any conflict, this terms supplement will control. The Notes vary from the terms described in the product prospectus supplement in several important ways. You should read this terms supplement carefully.

This terms supplement, together with the documents listed below, contains the terms of the Notes and supersedes all prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in "Risk Factors" in the prospectus supplement dated January 8, 2016 and in the product prospectus supplement dated January 8, 2016, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Notes. You may access these documents on the Securities and Exchange Commission (the "SEC") website at www.sec.gov as follows (or if that address has changed, by reviewing our filings for the relevant date on the SEC website):

Prospectus dated January 8, 2016:
http://www.sec.gov/Archives/edgar/data/1000275/000121465916008810/j18160424b3.htm

Prospectus Supplement dated January 8, 2016:
http://www.sec.gov/Archives/edgar/data/1000275/000121465916008811/p14150424b3.htm

Product Prospectus Supplement dated January 8, 2016:
https://www.sec.gov/Archives/edgar/data/1000275/000114036116047446/form424b5.htm

Our Central Index Key, or CIK, on the SEC website is 1000275. As used in this terms supplement, "we," "us," or "our" refers to Royal Bank of Canada.

Royal Bank of Canada has filed a registration statement (including a product prospectus supplement, a prospectus supplement, and a prospectus) with the SEC for the offering to which this terms supplement relates. Before you invest, you should read those documents and the other documents relating to this offering that we have filed with the SEC for more complete information about us and this offering. You may obtain these documents without cost by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, Royal Bank of Canada, any agent or any dealer participating in this offering will arrange to send you the product prospectus supplement, the prospectus supplement and the prospectus if you so request by calling toll-free at 1-877-688-2301.

Auto-Callable Contingent Coupon Barrier Notes
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HYPOTHETICAL EXAMPLES

The table set out below is included for illustration purposes only. The table illustrates the Payment at Maturity of the Notes (including the final Contingent Coupon, if payable) for a hypothetical range of performance for the Lesser Performing Reference Stock, assuming the following terms and that the Notes are not automatically called prior to maturity:

| | |
|---|---|
| Hypothetical Initial Stock Price: | $100.00* |
| Hypothetical Trigger Price and Coupon Barrier: | $60.00, which is 60.00% of the hypothetical Initial Stock Price |
| Hypothetical Contingent Coupon Rate: | 10.65% per annum (or 2.6625% per quarter), which is the midpoint of the Contingent Coupon Rate range of [10.15%-11.15%] per annum (to be determined on the Trade Date). |
| Hypothetical Contingent Coupon Amount: | $26.625 per quarter |
| Observation Dates: | Quarterly |
| Principal Amount: | $1,000 per Note |

* The hypothetical Initial Stock Price of $100 used in the examples below has been chosen for illustrative purposes only and does not represent the expected actual Initial Stock Price of any Reference Stock. The actual Initial Stock Price for each Reference Stock will be set forth on the cover page of the final pricing supplement relating to the Notes.

We make no representation or warranty as to which of the Reference Stocks will be the Lesser Performing Reference Stock. It is possible that the Final Stock Price of each Reference Stock will be less than its Initial Stock Price.

Hypothetical Final Stock Prices are shown in the first column on the left. The second column shows the Payment at Maturity for a range of Final Stock Prices on the Valuation Date. The third column shows the amount of cash to be paid on the Notes per $1,000 in principal amount. If the Notes are called prior to maturity, the hypothetical examples below will not be relevant, and you will receive on the applicable Coupon Payment Date, for each $1,000 principal amount, $1,000 plus the Contingent Coupon otherwise due on the Notes.

| Hypothetical Final Stock Price of the Lesser Performing Reference Stock | Payment at Maturity as Percentage of Principal Amount | Cash Payment Amount per $1,000 in Principal Amount |
|---|---|---|
| $180.00 | 102.6625%* | $1,026.625* |
| $170.00 | 102.6625%* | $1,026.625* |
| $160.00 | 102.6625%* | $1,026.625* |
| $150.00 | 102.6625%* | $1,026.625* |
| $140.00 | 102.6625%* | $1,026.625* |
| $125.00 | 102.6625%* | $1,026.625* |
| $120.00 | 102.6625%* | $1,026.625* |
| $110.00 | 102.6625%* | $1,026.625* |
| $100.00 | 102.6625%* | $1,026.625* |
| $90.00 | 102.6625%* | $1,026.625* |
| $80.00 | 102.6625%* | $1,026.625* |
| $65.00 | 102.6625%* | $1,026.625* |
| $60.00 | 102.6625%* | $1,026.625* |
| $59.99 | 59.99% | $599.90 |
| $50.00 | 50.00% | $500.00 |
| $45.00 | 45.00% | $450.00 |

| | | |
|---|---|---|
| $40.00 | 40.00% | $400.00 |
| $30.00 | 30.00% | $300.00 |
| $20.00 | 20.00% | $200.00 |
| $10.00 | 10.00% | $100.00 |
| $0.00 | 0% | $0.00 |

*Including the final Contingent Coupon, if payable.

Hypothetical Examples of Amounts Payable at Maturity

The following hypothetical examples illustrate how the payments at maturity set forth in the table above are calculated, assuming the Notes have not been called.

Example 1: The price of the Lesser Performing Reference Stock increases by 25% from the Initial Stock Price of $100.00 to its Final Stock Price of $125.00. Because the Final Stock Price of the Lesser Performing Reference Stock is greater than its Trigger Price and Coupon Barrier of $60.00, the investor receives at maturity, in addition to the final Contingent Coupon of $26.625 otherwise due on the Notes, a cash payment of $1,000 per Note, despite the 25% appreciation in the price of the Lesser Performing Reference Stock.

Example 2: The price of the Lesser Performing Reference Stock decreases by 10% from the Initial Stock Price of $100.00 to its Final Stock Price of $90.00. Because the Final Stock Price of the Lesser Performing Reference Stock is greater than its Trigger Price and Coupon Barrier of $60.00, the investor receives at maturity, in addition to the final Contingent Coupon of $26.625 otherwise due on the Notes, a cash payment of $1,000 per Note, despite the 10% decline in the price of the Lesser Performing Reference Stock.

Example 3: The price of the Lesser Performing Reference Stock is $40.00 on the Valuation Date, which is less than its Trigger Price and Coupon Barrier of $60.00. Because the Final Stock Price of the Lesser Performing Reference Stock is less than its Trigger Price and Coupon Barrier of $60.00, the final Contingent Coupon will not be payable on the Maturity Date, and we will pay only $400.00 for each $1,000 in the principal amount of the Notes, calculated as follows:

Principal Amount + (Principal Amount x Reference Stock Return of the Lesser Performing Reference Stock)
= $1,000 + ($1,000 x -60.00%) = $1,000 - $600.00 = $400.00

* * *

The Payments at Maturity shown above are entirely hypothetical; they are based on prices of the Reference Stocks that may not be achieved on the Valuation Date and on assumptions that may prove to be erroneous. The actual market value of your Notes on the Maturity Date or at any other time, including any time you may wish to sell your Notes, may bear little relation to the hypothetical Payments at Maturity shown above, and those amounts should not be viewed as an indication of the financial return on an investment in the Notes.

Auto-Callable Contingent Coupon Barrier Notes
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SELECTED RISK CONSIDERATIONS

An investment in the Notes involves significant risks. Investing in the Notes is not equivalent to investing directly in the Reference Stocks. These risks are explained in more detail in the section "Risk Factors" in the product prospectus supplement. In addition to the risks described in the prospectus supplement and the product prospectus supplement, you should consider the following:

- Principal at Risk — Investors in the Notes could lose all or a substantial portion of their principal amount if there is a decline in the trading price of the Lesser Performing Reference Stock between the Trade Date and the Valuation Date. If the Notes are not automatically called and the Final Stock Price of the Lesser Performing Reference Stock on the Valuation Date is less than its Trigger Price, the amount of cash that you receive at maturity will represent a loss of your principal that is proportionate to the decline in the closing price of the Lesser Performing Reference Stock from the Trade Date to the Valuation Date. Any Contingent Coupons received on the Notes prior to the Maturity Date may not be sufficient to compensate for any such loss.
- The Notes Are Subject to an Automatic Call — If on any Observation Date on or after May 22, 2018, the closing price of each Reference Stock is greater than or equal to its Initial Stock Price, then the Notes will be automatically called. If the Notes are automatically called, then, on the applicable Call Settlement Date, for each $1,000 in principal amount, you will receive $1,000 plus the Contingent Coupon otherwise due on the applicable Call Settlement Date. You will not receive any Contingent Coupons after the Call Settlement Date. You may be unable to reinvest your proceeds from the automatic call in an investment with a return that is as high as the return on the Notes would have been if they had not been called.
- You May Not Receive Any Contingent Coupons — We will not necessarily make any coupon payments on the Notes. If the closing price of any of the Reference Stocks on an Observation Date is less than its Coupon Barrier, we will not pay you the Contingent Coupon applicable to that Observation Date. If the closing price of any of the Reference Stocks is less than its Coupon Barrier on each of the Observation Dates and on the Valuation Date, we will not pay you any Contingent Coupons during the term of, and you will not receive a positive return on your Notes. Generally, this non-payment of the Contingent Coupon coincides with a period of greater risk of principal loss on your Notes. Accordingly, if we do not pay the Contingent Coupon on the Maturity Date, you will also incur a loss of principal, because the Final Stock Price of the Lesser Performing Reference Stock will be less than its Trigger Price.
- The Notes Are Linked to the Lesser Performing Reference Stock, Even if the Other Reference Stocks Perform Better — If any of the Reference Stocks has a Final Stock Price that is less than its Trigger Price, your return will be linked to the lesser performing of the three Reference Stocks. Even if the Final Stock Prices of the other Reference Stocks have increased compared to their respective Initial Stock Prices, or have experienced a decrease that is less than that of the Lesser Performing Reference Stock, your return will only be determined by reference to the performance of the Lesser Performing Reference Stock, regardless of the performance of the other Reference Stocks. Because the issuer of each Reference Stock operates in the same industry, they each may experience simultaneous and significant declines due to adverse conditions in that sector.
- Your Payment on the Notes Will Be Determined by Reference to Each Reference Stock Individually, Not to a Basket, and the Payment at Maturity Will Be Based on the Performance of the Lesser Performing Reference Stock — The Payment at Maturity will be determined only by reference to the performance of the Lesser Performing Reference Stock, regardless of the performance of the other Reference Stocks. The Notes are not linked to a weighted basket, in which the risk may be mitigated and diversified among each of the basket components. For example, in the case of notes linked to a weighted basket, the return would depend on the weighted aggregate performance of the basket components reflected as the basket return. As a result, the depreciation of one basket component could be mitigated by the appreciation of the other basket components, as scaled by the weighting of that basket component. However, in the case of the Notes, the individual performance of each of the Reference Stocks would not be combined, and the depreciation of one Reference Stock would not be mitigated by any appreciation of the other

Reference Stocks. Instead, your return will depend solely on the Final Stock Price of the Lesser Performing Reference Stock.

- The Call Feature and the Contingent Coupon Feature Limit Your Potential Return — The return potential of the Notes is limited to the pre-specified Contingent Coupon Rate, regardless of the appreciation of the Reference Stocks. In addition, the total return on the Notes will vary based on the number of Observation Dates on which the Contingent Coupon becomes payable prior to maturity or an automatic call. Further, if the Notes are called due to the Call Feature, you will not receive any Contingent Coupons or any other payment in respect of any Observation Dates after the applicable Call Settlement Date. Since the Notes could be called as early as the second Observation Date, the total return on the Notes could be minimal. If the Notes are not called, you may be subject to the full downside performance of the Lesser Performing Reference Stock even though your potential return is limited to the Contingent Coupon Rate. As a result, the return on an investment in the Notes could be less than the return on a direct investment in the Reference Stocks.

- Your Return May Be Lower than the Return on a Conventional Debt Security of Comparable Maturity — The return that you will receive on the Notes, which could be negative, may be less than the return you could earn on other investments. Even if your return is positive, your return may be less than the return you would earn if you bought a conventional senior interest bearing debt security of Royal Bank.
- Payments on the Notes Are Subject to Our Credit Risk, and Changes in Our Credit Ratings Are Expected to Affect the Market Value of the Notes — The Notes are Royal Bank's senior unsecured debt securities. As a result, your receipt of any Contingent Coupons, if payable, and the amount due on any relevant payment date is dependent upon Royal Bank's ability to repay its obligations on the applicable payment dates. This will be the case even if the prices of the Reference Stocks increase after the Trade Date. No assurance can be given as to what our financial condition will be during the term of the Notes.
- There May Not Be an Active Trading Market for the Notes-Sales in the Secondary Market May Result in Significant Losses — There may be little or no secondary market for the Notes. The Notes will not be listed on any securities exchange. RBCCM and other affiliates of Royal Bank may make a market for the Notes; however, they are not required to do so. RBCCM or any other affiliate of Royal Bank may stop any market-making activities at any time. Even if a secondary market for the Notes develops, it may not provide significant liquidity or trade at prices advantageous to you. We expect that transaction costs in any secondary market would be high. As a result, the difference between bid and asked prices for your Notes in any secondary market could be substantial.
- The Initial Estimated Value of the Notes Will Be Less than the Price to the Public — The initial estimated value set forth on the cover page and that will be set forth in the final pricing supplement for the Notes does not represent a minimum price at which we, RBCCM or any of our affiliates would be willing to purchase the Notes in any secondary market (if any exists) at any time. If you attempt to sell the Notes prior to maturity, their market value may be lower than the price you paid for them and the initial estimated value. This is due to, among other things, changes in the prices of the Reference Stocks, the borrowing rate we pay to issue securities of this kind, and the inclusion in the price to the public of the underwriting discount and the estimated costs relating to our hedging of the Notes. These factors, together with various credit, market and economic factors over the term of the Notes, are expected to reduce the price at which you may be able to sell the Notes in any secondary market and will affect the value of the Notes in complex and unpredictable ways. Assuming no change in market conditions or any other relevant factors, the price, if any, at which you may be able to sell your Notes prior to maturity may be less than your original purchase price, as any such sale price would not be expected to include the underwriting discount and the hedging costs relating to the Notes. In addition to bid-ask spreads, the value of the Notes determined by RBCCM for any secondary market price is expected to be based on the secondary rate rather than the internal funding rate used to price the Notes and determine the initial estimated value. As a result, the secondary price will be less than if the internal funding rate was used. The Notes are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your Notes to maturity.
- The Initial Estimated Value of the Notes on the Cover Page of this Terms Supplement and that We Will Provide in the Final Pricing Supplement Are Estimates Only, Calculated as of the Time the Terms of the Notes Are Set — The initial estimated value of the Notes will be based on the value of our obligation to make the payments on the Notes, together with the mid-market value of the derivative embedded in the terms of the Notes. See "Structuring the Notes" below. Our estimates are based on a variety of assumptions, including our credit spreads, expectations as to dividends, interest rates and volatility, and the expected term of the Notes. These assumptions are based on certain forecasts about future events, which may prove to be incorrect. Other entities may value the Notes or similar securities at a price that is significantly different than we do.

The value of the Notes at any time after the Trade Date will vary based on many factors, including changes in market conditions, and cannot be predicted with accuracy. As a result, the actual value you would receive if you sold the Notes in any secondary market, if any, should be expected to differ materially from the initial estimated value of your Notes.

- Market Disruption Events and Adjustments — The payment at maturity, each Observation Date and the Valuation Date are subject to adjustment as described in the product prospectus supplement. For a description of what constitutes a market disruption event as well as the consequences of that market disruption event, see "General Terms of the Notes—Market Disruption Events" in the product prospectus supplement.
- Our Business Activities May Create Conflicts of Interest — We and our affiliates expect to engage in trading activities related to the Reference Stocks that are not for the account of holders of the Notes or on their behalf. These trading activities may present a conflict between the holders' interests in the Notes and the interests we and our affiliates will have in their

proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for their customers and in accounts under their management. These trading activities, if they influence the share price of the Reference Stocks, could be adverse to the interests of the holders of the Notes. We and one or more of our affiliates may, at present or in the future, engage in business with the issuers of the Reference Stocks, including making loans to or providing advisory services. These services could include investment banking and merger and acquisition advisory services. These activities may present a conflict between our or one or more of our affiliates' obligations and your interests as a holder of the Notes. Moreover, we and our affiliates may have published, and in the future expect to publish, research reports with respect to the Reference Stocks. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities by us or one or more of our affiliates may affect the share price of the Reference Stocks, and, therefore, the market value of the Notes.

- Owning the Notes Is Not the Same as Owning the Reference Stocks — The return on your Notes is unlikely to reflect the return you would realize if you actually owned shares of the Reference Stocks. For instance, you will not receive or be entitled to receive any dividend payments or other distributions on these securities during the term of your Notes. As an owner of the Notes, you will not have voting rights or any other rights that holders of these securities may have. Furthermore, the Reference Stocks may appreciate substantially during the term of the Notes, while your potential return will be limited to the applicable Contingent Coupon payments.
- You Must Rely on Your Own Evaluation of the Merits of an Investment Linked to the Reference Stocks — In the ordinary course of their business, our affiliates may have expressed views on expected movements in the Reference Stocks, and may do so in the future. These views or reports may be communicated to our clients and clients of our affiliates. However, these views are subject to change from time to time. Moreover, other professionals who transact business in markets relating to any Reference Stock may at any time have significantly different views from those of our affiliates. For these reasons, you are encouraged to derive information concerning the Reference Stocks from multiple sources, and you should not rely solely on views expressed by our affiliates.
- There Is No Affiliation Between the Issuers of the Reference Stocks and RBCCM, and RBCCM Is Not Responsible for any Disclosure by the Issuer of the Reference Stock — We are not affiliated with Chipotle Mexican Grill, Inc., McDonald's Corporation or Yum! Brands, Inc. (each, a "Reference Stock Issuer"). However, we and our affiliates may currently, or from time to time in the future engage, in business with any Reference Stock Issuer. Nevertheless, neither we nor our affiliates assume any responsibilities for the accuracy or the completeness of any information that any other company prepares. You, as an investor in the Notes, should make your own investigation into the Reference Stocks.

INFORMATION REGARDING THE REFERENCE STOCK ISSUERS

The Reference Stocks are registered under the Securities Exchange Act of 1934 (the "Exchange Act"). Companies with securities registered under that Act are required to file periodically certain financial and other information specified by the SEC. Information provided to or filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC or through the SEC's website at www.sec.gov. In addition, information regarding the Reference Stocks may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents.

The following information regarding the issuers of the Reference Stocks is derived from publicly available information.

We have not independently verified the accuracy or completeness of reports filed by the issuers of the Reference Stocks with the SEC, information published by it on its website or in any other format, information about it obtained from any other source or the information provided below.

We obtained the information regarding the historical performance of the Reference Stocks set forth below from Bloomberg Financial Markets.

We have not independently verified the accuracy or completeness of the information obtained from Bloomberg Financial Markets. The historical performance of the Reference Stocks should not be taken as an indication of their future performance, and no assurance can be given as to the market prices of any Reference Stock at any time during the term of the Notes. We cannot give you assurance that the performance of any Reference Stock will not result in the loss of all or part of your investment.

Chipotle Mexican Grill, Inc. ("CMG")

Chipotle Mexican Grill, Inc. owns and operates quick serve Mexican restaurants. The company operates restaurants throughout the United States.

The company's common stock is listed on the New York Stock Exchange ("NYSE") under the ticker symbol "CMG."

McDonald's Corporation ("MCD")

McDonald's Corporation franchises and operates fast-food restaurants in the global restaurant industry. The company's restaurants serves a variety of value-priced menu products in countries around the world.

The company's common stock is listed on the NYSE under the ticker symbol "MCD."

Yum! Brands, Inc. ("YUM")

Yum! Brands, Inc. owns and franchises quick-service restaurants worldwide. The company develops, operates, franchises, and licenses a worldwide system of restaurants which prepare, package, and sell a menu of food items.

The company's common stock is listed on the NYSE under the ticker symbol "YUM."

HISTORICAL INFORMATION

The graphs below set forth the information relating to the historical performance of the Reference Stocks. In addition, below the graphs are tables setting forth the intra-day high, intra-day low and period-end closing prices of the Reference Stocks. The information provided in these tables is for the four calendar quarters of 2013, 2014, 2015 and 2016, the first three calendar quarters of 2017 and the period from October 1, 2017 through November 13, 2017.

We obtained the information regarding the historical performance of the Reference Stocks in the graphs and tables below from Bloomberg Financial Markets.

We have not independently verified the accuracy or completeness of the information obtained from Bloomberg Financial Markets. The historical performance of any Reference Stock should not be taken as an indication of its future performance, and no assurance can be given as to the prices of the Reference Stocks at any time. We cannot give you assurance that the performance of the Reference Stocks will not result in the loss of all or part of your investment.

Auto-Callable Contingent Coupon Barrier Notes
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Historical Information for Chipotle Mexican Grill, Inc. ("CMG")
Below is a table setting forth the intra-day high, intra-day low and period-end closing prices of this Reference Stock. The information provided in the table is for the period from January 1, 2013 through November 13, 2017.

| Period-Start Date | Period-End Date | High Intra-Day Price of this Reference Stock ($) | Low Intra-Day Price of this Reference Stock ($) | Period-End Closing Price of this Reference Stock ($) |
|---|---|---|---|---|
| 1/1/2013 | 3/31/2013 | 334.88 | 266.79 | 325.87 |
| 4/1/2013 | 6/30/2013 | 379.10 | 317.51 | 364.35 |
| 7/1/2013 | 9/30/2013 | 429.24 | 362.32 | 428.70 |
| 10/1/2013 | 12/31/2013 | 549.24 | 420.75 | 532.78 |
| 1/1/2014 | 3/31/2014 | 622.90 | 481.00 | 568.05 |
| 4/1/2014 | 6/30/2014 | 601.68 | 472.77 | 592.51 |
| 7/1/2014 | 9/30/2014 | 697.70 | 576.05 | 666.59 |
| 10/1/2014 | 12/31/2014 | 696.56 | 607.55 | 684.51 |
| 1/1/2015 | 3/31/2015 | 727.17 | 647.28 | 650.54 |
| 4/1/2015 | 6/30/2015 | 699.00 | 598.10 | 604.99 |
| 7/1/2015 | 9/30/2015 | 758.60 | 600.92 | 720.25 |
| 10/1/2015 | 12/31/2015 | 757.00 | 478.00 | 479.85 |
| 1/1/2016 | 3/31/2016 | 542.00 | 399.99 | 470.97 |
| 4/1/2016 | 6/30/2016 | 472.59 | 384.80 | 402.76 |
| 7/1/2016 | 9/30/2016 | 444.10 | 386.21 | 423.50 |
| 10/1/2016 | 12/31/2016 | 440.00 | 352.99 | 377.32 |
| 1/1/2017 | 3/31/2017 | 453.08 | 373.00 | 445.52 |
| 4/1/2017 | 6/30/2017 | 499.00 | 411.00 | 416.10 |
| 7/1/2017 | 9/30/2017 | 418.50 | 295.18 | 307.83 |
| 10/1/2017 | 11/13/2017 | 331.85 | 263.11 | 277.50 |

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.
The graph below illustrates the performance of this Reference Stock from January 1, 2013 to November 13, 2017, assuming an Initial Stock Price of $277.50, which was the closing price of this Reference Stock on November 13, 2017. The red line represents a hypothetical Coupon Barrier and Trigger Price of $166.50, which is equal to 60.00% of the closing price on November 13, 2017. The actual Coupon Barrier and Trigger Price will be based on the closing price of this Reference Stock on the Trade Date.

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Historical Information for McDonald's Corporation ("MCD")
Below is a table setting forth the intra-day high, intra-day low and period-end closing prices of this Reference Stock. The information provided in the table is for the period from January 1, 2013 through November 13, 2017.

| Period-Start Date | Period-End Date | High Intra-Day Price of this Reference Stock ($) | Low Intra-Day Price of this Reference Stock ($) | Period-End Closing Price of this Reference Stock ($) |
|---|---|---|---|---|
| 1/1/2013 | 3/31/2013 | 99.78 | 89.25 | 99.69 |
| 4/1/2013 | 6/30/2013 | 103.70 | 95.16 | 99.00 |
| 7/1/2013 | 9/30/2013 | 101.80 | 94.01 | 96.21 |
| 10/1/2013 | 12/31/2013 | 99.27 | 93.14 | 97.03 |
| 1/1/2014 | 3/31/2014 | 99.07 | 92.22 | 98.03 |
| 4/1/2014 | 6/30/2014 | 103.71 | 96.53 | 100.74 |
| 7/1/2014 | 9/30/2014 | 101.36 | 90.54 | 94.81 |
| 10/1/2014 | 12/31/2014 | 97.42 | 87.62 | 93.70 |
| 1/1/2015 | 3/31/2015 | 101.09 | 88.77 | 97.44 |
| 4/1/2015 | 6/30/2015 | 101.08 | 94.02 | 95.07 |
| 7/1/2015 | 9/30/2015 | 101.88 | 87.50 | 98.53 |
| 10/1/2015 | 12/31/2015 | 120.23 | 97.13 | 118.14 |
| 1/1/2016 | 3/31/2016 | 126.94 | 112.73 | 125.68 |
| 4/1/2016 | 6/30/2016 | 131.96 | 116.09 | 120.34 |
| 7/1/2016 | 9/30/2016 | 128.59 | 113.97 | 115.36 |
| 10/1/2016 | 12/31/2016 | 123.99 | 110.33 | 121.72 |
| 1/1/2017 | 3/31/2017 | 130.19 | 118.18 | 129.61 |
| 4/1/2017 | 6/30/2017 | 155.46 | 128.65 | 153.16 |
| 7/1/2017 | 9/30/2017 | 161.71 | 151.78 | 156.68 |
| 10/1/2017 | 11/13/2017 | 170.90 | 155.96 | 167.37 |

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.
The graph below illustrates the performance of this Reference Stock from January 1, 2013 to November 13, 2017, assuming an Initial Stock Price of $167.37, which was the closing price of this Reference Stock on November 13, 2017. The red line represents a hypothetical Coupon Barrier and Trigger Price of $100.42, which is equal to 60.00% of the closing price on November 13, 2017, rounded to two decimal places. The actual Coupon Barrier and Trigger Price will be based on the closing price of this Reference Stock on the Trade Date.

Auto-Callable Contingent Coupon Barrier Notes
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Historical Information for Yum! Brands, Inc. (“YUM”)
Below is a table setting forth the intra-day high, intra-day low and period-end closing prices of this Reference Stock. The information provided in the table is for the period from January 1, 2013 through November 13, 2017.

| Period-Start Date | Period-End Date | High Intra-Day Price of this Reference Stock ($) | Low Intra-Day Price of this Reference Stock ($) | Period-End Closing Price of this Reference Stock ($) |
|---|---|---|---|---|
| 1/1/2013 | 3/31/2013 | 51.92 | 42.98 | 51.73 |
| 4/1/2013 | 6/30/2013 | 53.07 | 45.42 | 49.86 |
| 7/1/2013 | 9/30/2013 | 54.02 | 49.46 | 51.33 |
| 10/1/2013 | 12/31/2013 | 56.57 | 46.08 | 54.37 |
| 1/1/2014 | 3/31/2014 | 56.04 | 47.34 | 54.21 |
| 4/1/2014 | 6/30/2014 | 59.03 | 53.27 | 58.39 |
| 7/1/2014 | 9/30/2014 | 60.01 | 48.97 | 51.76 |
| 10/1/2014 | 12/31/2014 | 56.50 | 47.32 | 52.38 |
| 1/1/2015 | 3/31/2015 | 59.29 | 49.90 | 56.60 |
| 4/1/2015 | 6/30/2015 | 68.96 | 56.03 | 64.77 |
| 7/1/2015 | 9/30/2015 | 66.45 | 53.21 | 57.49 |
| 10/1/2015 | 12/31/2015 | 60.06 | 47.71 | 52.53 |
| 1/1/2016 | 3/31/2016 | 59.40 | 46.44 | 58.85 |
| 4/1/2016 | 6/30/2016 | 61.77 | 56.32 | 59.62 |
| 7/1/2016 | 9/30/2016 | 66.15 | 59.57 | 65.30 |
| 10/1/2016 | 12/31/2016 | 66.05 | 59.57 | 63.33 |
| 1/1/2017 | 3/31/2017 | 68.97 | 62.36 | 63.90 |
| 4/1/2017 | 6/30/2017 | 75.43 | 63.18 | 73.76 |
| 7/1/2017 | 9/30/2017 | 78.13 | 72.38 | 73.61 |
| 10/1/2017 | 11/13/2017 | 81.65 | 73.37 | 79.74 |

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.
The graph below illustrates the performance of this Reference Stock from January 1, 2013 to November 13, 2017, assuming an Initial Stock Price of $79.74, which was the closing price of this Reference Stock on November 13, 2017. The red line represents a hypothetical Coupon Barrier and Trigger Price of $47.84 which is equal to 60.00% of the closing price on November 13, 2017, rounded to two decimal places. The actual Coupon Barrier and Trigger Price will be based on the closing price of this Reference Stock on the Trade Date.

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SUPPLEMENTAL DISCUSSION OF
U.S. FEDERAL INCOME TAX CONSEQUENCES

The following disclosure supplements, and to the extent inconsistent supersedes, the discussion in the product prospectus supplement dated January 8, 2016 under "Supplemental Discussion of U.S. Federal Income Tax Consequences."

Under Section 871(m) of the Code, a "dividend equivalent" payment is treated as a dividend from sources within the United States. Such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-U.S. holder. Under U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments ("ELIs") that are "specified ELIs" may be treated as dividend equivalents if such specified ELIs reference an interest in an "underlying security," which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. However, the IRS has issued guidance that states that the U.S. Treasury Department and the IRS intend to amend the effective dates of the U.S. Treasury Department regulations to provide that withholding on dividend equivalent payments will not apply to specified ELIs that are not delta-one instruments and that are issued before January 1, 2019. Based on our determination that the Notes are not delta-one instruments, non-U.S. holders should not be subject to withholding on dividend equivalent payments, if any, under the Notes. However, it is possible that the Notes could be treated as deemed reissued for U.S. federal income tax purposes upon the occurrence of certain events affecting the Reference Stocks or the Notes, and following such occurrence the Notes could be treated as subject to withholding on dividend equivalent payments. Non-U.S. holders that enter, or have entered, into other transactions in respect of the Reference Stocks or the Notes should consult their tax advisors as to the application of the dividend equivalent withholding tax in the context of the Notes and their other transactions. If any payments are treated as dividend equivalents subject to withholding, we (or the applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

We expect that delivery of the Notes will be made against payment for the Notes on or about November 28, 2017, which is the third (3rd) business day following the Trade Date (this settlement cycle being referred to as "T+3"). See "Plan of Distribution" in the prospectus dated January 8, 2016. For additional information as to the relationship between us and RBCCM, please see the section "Plan of Distribution—Conflicts of Interest" in the prospectus dated January 8, 2016.

In the initial offering of the Notes, they will be offered to investors at a purchase price equal to par, except with respect to certain accounts as indicated on the cover page of this document.

We expect to deliver the Notes on a date that is greater than two business days following the trade date. Under Rule 15c6-1 of the
Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes more than two business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

The value of the Notes shown on your account statement may be based on RBCCM's estimate of the value of the Notes if RBCCM or another of our affiliates were to make a market in the Notes (which it is not obligated to do). That estimate will be based upon the price that RBCCM may pay for the Notes in light of then prevailing market conditions, our creditworthiness and transaction costs. For a period of approximately three months after the issue date of the Notes, the value of the Notes that may be shown on your account statement may be higher than RBCCM's estimated value of the Notes at that time. This is because the estimated value of the Notes will not include the underwriting discount and our hedging costs and profits; however, the value of the Notes shown on your account statement during that period may initially be a higher amount, reflecting the addition of RBCCM's underwriting discount and our estimated costs and profits from hedging the Notes. This excess is expected to decrease over time until the end of this period. After this period, if RBCCM repurchases your Notes, it expects to do so at prices that reflect their estimated value.

We may use this terms supplement in the initial sale of the Notes. In addition, RBCCM or another of our affiliates may use this terms supplement in a market-making transaction in the Notes after their initial sale. Unless we or our agent informs the purchaser otherwise in the confirmation of sale, this terms supplement is being used in a market-making transaction.

Auto-Callable Contingent Coupon Barrier Notes
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STRUCTURING THE NOTES

The Notes are our debt securities, the return on which is linked to the performance of the Reference Stocks. As is the case for all of our debt securities, including our structured notes, the economic terms of the Notes reflect our actual or perceived creditworthiness at the time of pricing. In addition, because structured notes result in increased operational, funding and liability management costs to us, we typically borrow the funds under these Notes at a rate that is more favorable to us than the rate that we might pay for a conventional fixed or floating rate debt security of comparable maturity. Using this relatively lower implied borrowing rate rather than the secondary market rate, is a factor that is likely to reduce the initial estimated value of the Notes at the time their terms are set. Unlike the estimated value included in this terms supplement or in the final pricing supplement, any value of the Notes determined for purposes of a secondary market transaction may be based on a different funding rate, which may result in a lower value for the Notes than if our initial internal funding rate were used.

In order to satisfy our payment obligations under the Notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) on the issue date with RBCCM or one of our other subsidiaries. The terms of these hedging arrangements take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the Reference Stocks, and the tenor of the Notes. The economic terms of the Notes and their initial estimated value depend in part on the terms of these hedging arrangements.

The lower implied borrowing rate is a factor that reduces the economic terms of the Notes to you. The initial offering price of the Notes also reflects the underwriting commission and our estimated hedging costs. These factors result in the initial estimated value for the Notes on the Trade Date being less than their public offering price. See “Selected Risk Considerations—The Initial Estimated Value of the Notes Will Be Less than the Price to the Public” above.



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ight"> Advertising expense 31,005 90,871 15,516 33,122 6,629 Selling, general and administrative expenses 77,016 118,753 60,061 127,618 27,110 Research and development expense 48,448 66,985 55,965 125,660 170,902 Total operating expenses 156,469 276,609 131,542 286,400 204,641 Operating income $184,035 $160,596 $52,167 $102,347 $124,764

| 52-weeks ended December 26, 2015 | Outdoor | Fitness | Marine | Auto | Aviation |
|---|---|---|---|---|---|
| Net sales | $411,184 | $661,599 | $286,778 | $1,062,091 | $398,618 |
| Cost of goods sold | 156,306 | 295,460 | 128,285 | 597,611 | 103,904 |
| Gross profit | 254,878 | 366,139 | 158,493 | 464,480 | 294,714 |
| Advertising expense | 24,655 | 79,737 | 16,106 | 40,710 | 5,958 |
| Selling, general and administrative expenses | 54,132 | 97,809 | 60,834 | 157,151 | 24,988 |
| Research and development expense | 37,021 | 54,019 | 52,942 | 130,550 | 152,511 |
| Total operating expenses | 115,808 | 231,565 | 129,883 | 328,411 | 183,457 |
| Operating income | $139,070 | $134,574 | $28,611 | $136,069 | $111,257 |

**Comparison of 52-Weeks Ended December 30, 2017 and 53-Weeks Ended December 31, 2016**

***Net Sales***

| | 52-weeks ended December 30, 2017 | | 53-weeks ended December 31, 2016 | | Year over Year | |
|---|---|---|---|---|---|---|
| | Net Sales | % of Revenues | Net Sales | % of Revenues | $ Change | % Change |
| Outdoor | $ 698,867 | 23 % | $ 546,326 | 18 % | $ 152,541 | 28 % |
| Fitness | 762,194 | 25 % | 818,486 | 27 % | (56,292 ) | -7 % |
| Marine | 374,001 | 12 % | 331,947 | 11 % | 42,054 | 13 % |
| Auto | 750,583 | 24 % | 882,558 | 29 % | (131,975) | -15 % |
| Aviation | 501,359 | 16 % | 439,348 | 15 % | 62,011 | 14 % |
| Total | $ 3,087,004 | 100 % | $ 3,018,665 | 100 % | $ 68,339 | 2 % |

Net sales increased 2% in 2017 when compared to the year-ago period. Outdoor, marine, and aviation segments had an increase in revenue, while fitness and auto segments had a decrease in revenue. Fitness revenue represented the largest portion of our revenue mix at 25% in 2017, which was a slight decline from 27% in 2016. Auto revenue represented the largest portion of our revenue mix in 2016 at 29% and declined to 24% in 2017.

Total unit sales decreased 8% to 15.4 million units in the 52-weeks ended 2017 from 16.8 million units in the 53-weeks ended 2016.

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Auto segment revenue decreased 15% from the year-ago period, primarily due to the ongoing PND market contraction. Fitness segment revenue decreased 7% from the year-ago period, primary driven by the general decline of the basic activity tracker market. Outdoor, marine, and aviation revenues increased 28%, 13%, and 14%, respectively when compared to the year-ago period. Growth in outdoor was driven by growth in our wearables and subscriptions categories. Our marine segment revenue increased primarily due to growth in chartplotters, fishfinders, and entertainment systems, and the newly acquired Navionics. Aviation revenues increased due to growth in both OEM and aftermarket sales.

***Cost of Goods Sold***

| | 52-weeks ended December 30, 2017 | | 53-weeks ended December 31, 2016 | | Year over Year | |
|---|---|---|---|---|---|---|
| | Cost of Goods | % of Revenues | Cost of Goods | % of Revenues | $ Change | % Change |
| Outdoor | $ 250,457 | 36 % | $ 205,822 | 38 % | $ 44,635 | 22 % |
| Fitness | 339,558 | 45 % | 381,281 | 47 % | (41,723) | -11 % |
| Marine | 161,409 | 43 % | 148,238 | 45 % | 13,171 | 9 % |
| Auto | 422,662 | 56 % | 493,811 | 56 % | (71,149) | -14 % |
| Aviation | 129,754 | 26 % | 109,943 | 25 % | 19,811 | 18 % |
| Total | $ 1,303,840 | 42 % | $ 1,339,095 | 44 % | $ (35,255) | -3 % |

Cost of goods sold decreased 3% in absolute dollars for the 52-weeks ended December 30, 2017 when compared to the 53-weeks ended December 31, 2016.

The auto segment cost of goods decline was largely consistent with the segment revenue decline. In the outdoor, fitness, and marine segments, the decrease in cost of goods sold as a percent of revenues was a result of a shift in product mix toward higher margin products. The aviation segment increase in cost of goods sold was generally consistent with the segment revenue increase.

***Gross Profit***

| | 52-weeks ended December 30, 2017 | | 53-weeks ended December 31, 2016 | | Year over Year | |
|---|---|---|---|---|---|---|
| | Gross Profit | % of Revenues | Gross Profit | % of Revenues | $ Change | % Change |
| Outdoor | $ 448,410 | 64 % | $ 340,504 | 62 % | $ 107,906 | 32 % |
| Fitness | 422,636 | 55 % | 437,205 | 53 % | (14,569) | -3 % |
| Marine | 212,592 | 57 % | 183,709 | 55 % | 28,883 | 16 % |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Auto | 327,921 | 44 % | 388,747 | 44 % | (60,826 ) | -16 % |
| Aviation | 371,605 | 74 % | 329,405 | 75 % | 42,200 | 13 % |
| Total | $ 1,783,164 | 58 % | $ 1,679,570 | 56 % | $103,594 | 6 % |

Gross profit dollars in the 52-weeks ended December 30, 2017 increased 6% while gross profit margin increased 210 basis points compared to the 53-weeks ended December 31, 2016. Growth in sales of higher margin segments contributed to the increase in gross profit dollars and gross margin percentage. Outdoor, fitness, and marine segment increases to gross profit margin were primarily due to product mix within those segments. Auto and aviation segment gross margin rates were relatively consistent between fiscal periods.

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***Advertising Expenses***

| | 52-weeks ended December 30, 2017 | | | 53-weeks ended December 31, 2016 | | | Year over Year | | |
|---|---|---|---|---|---|---|---|---|---|
| | Advertising Expense | % of Revenues | | Advertising Expense | % of Revenues | | $ Change | % Change | |
| Outdoor | $ 41,113 | 6 | % | $ 31,005 | 6 | % | $ 10,108 | 33 | % |
| Fitness | 75,660 | 10 | % | 90,871 | 11 | % | (15,211) | -17 | % |
| Marine | 16,101 | 4 | % | 15,516 | 5 | % | 585 | 4 | % |
| Auto | 25,639 | 3 | % | 33,122 | 4 | % | (7,483) | -23 | % |
| Aviation | 6,180 | 1 | % | 6,629 | 2 | % | (449) | -7 | % |
| Total | $ 164,693 | 5 | % | $ 177,143 | 6 | % | $ (12,450) | -7 | % |

Advertising expense decreased 7% in absolute dollars and was relatively flat as a percent of revenues in the 52-weeks ended December 30, 2017 compared to the 53-weeks ended December 31, 2016. The decrease in absolute dollars is primarily attributable to decreases in spend on media advertising.

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

| | 52-weeks ended December 30, 2017 | | | 53-weeks ended December 31, 2016 | | | Year over Year | | |
|---|---|---|---|---|---|---|---|---|---|
| | Selling, General & Admin. Expenses | % of Revenues | | Selling, General & Admin. Expenses | % of Revenues | | $ Change | % Change | |
| Outdoor | $ 98,914 | 14 | % | $ 77,016 | 14 | % | $ 21,898 | 28 | % |
| Fitness | 119,537 | 16 | % | 118,753 | 15 | % | 784 | 1 | % |
| Marine | 83,765 | 22 | % | 60,061 | 18 | % | 23,704 | 39 | % |
| Auto | 107,995 | 14 | % | 127,618 | 14 | % | (19,623) | -15 | % |
| Aviation | 27,766 | 6 | % | 27,110 | 6 | % | 656 | 2 | % |
| Total | $ 437,977 | 14 | % | $ 410,558 | 14 | % | $ 27,419 | 7 | % |

Selling, general and administrative expense increased 7% in absolute dollars and was relatively flat as a percent of revenues in the 52-weeks ended December 30, 2017 compared to the 53-weeks ended December 31, 2016. The absolute dollar increase is primarily attributable to legal-related costs and information technology costs. As a percent of revenues, selling, general, and administrative expenses in all segments except marine were relatively consistent on a year over year basis. The increase in the marine segment, as a percent of revenues, was primarily related to a litigation settlement.

***Research and Development Expense***

| | 52-weeks ended December 30, 2017 | | 53-weeks ended December 31, 2016 | | Year over Year | |
|---|---|---|---|---|---|---|
| | Research & Development | % of Revenues | Research & Development | % of Revenues | $ Change | % Change |
| Outdoor | $ 58,516 | 8 % | $ 48,448 | 9 % | $ 10,068 | 21 % |
| Fitness | 80,674 | 11 % | 66,985 | 8 % | 13,689 | 20 % |
| Marine | 62,398 | 17 % | 55,965 | 17 % | 6,433 | 11 % |
| Auto | 126,320 | 17 % | 125,660 | 14 % | 660 | 1 % |
| Aviation | 183,726 | 37 % | 170,902 | 39 % | 12,824 | 8 % |
| Total | $ 511,634 | 17 % | $ 467,960 | 16 % | $ 43,674 | 9 % |

Research and development expense increased 9% due to ongoing development activities for new products and the addition of engineering personnel throughout the 52-weeks ended December 30, 2017. In absolute dollars, research and development costs increased $43.7 million when compared with the 53-weeks ended December 31, 2016, and increased 100 basis points as a percent of revenue. Our research and development spending is focused on product development, improving existing software capabilities, and exploring new categories.

***Operating Income***

| | 52-weeks ended December 30, 2017 | | 53-weeks ended December 31, 2016 | | Year over Year | |
|---|---|---|---|---|---|---|
| | Operating Income | % of Revenues | Operating Income | % of Revenues | $ Change | % Change |
| Outdoor | $ 249,867 | 36 % | $ 184,035 | 34 % | $ 65,832 | 36 % |
| Fitness | 146,765 | 19 % | 160,596 | 20 % | (13,831) | -9 % |
| Marine | 50,328 | 13 % | 52,167 | 16 % | (1,839) | -4 % |
| Auto | 67,967 | 9 % | 102,347 | 12 % | (34,380) | -34 % |
| Aviation | 153,933 | 31 % | 124,764 | 28 % | 29,169 | 23 % |
| Total | $ 668,860 | 22 % | $ 623,909 | 21 % | $ 44,951 | 7 % |

As a result of the above, operating income increased 7% in absolute dollars and 100 basis points as a percent of revenue when compared to the 53-weeks ended December 31, 2016. The growth in operating income, both in absolute dollars and as a percent of revenue, was primarily due to an increase in revenue growth and increase in gross margin percentage, which was partially offset by increased operating expenses, as discussed above.

***Other Income (Expense)***

| | 52-weeks ended December 30, 2017 | 53-weeks ended December 31, 2016 |
|---|---|---|
| Interest income | $ 36,925 | $ 33,406 |
| Foreign currency gains (losses) | (22,579) | (31,651) |
| Other | (912) | 4,006 |
| Total | $ 13,434 | $ 5,761 |

The average returns on cash and investments, including interest and capital gain/loss returns, during the 52-weeks ended December 30, 2017 and the 53- weeks ended December 31, 2016 were 1.5% for both periods. Interest income increased in fiscal 2017 primarily due to slightly higher yields on fixed-income securities, while other income decreased in fiscal 2017 primarily due to higher net capital gains realized in fiscal 2016.

Foreign currency gains and losses for the Company are typically driven by movements in the Taiwan Dollar, Euro, and British Pound Sterling in relation to the U.S. Dollar. The Taiwan Dollar is the functional currency of Garmin Corporation, the U.S. Dollar is the functional currency of Garmin (Europe) Ltd., and the Euro is the functional currency of most of our other European subsidiaries, although some transactions and balances are denominated in British Pounds. The majority of the Company's consolidated foreign currency gain or loss is typically driven by the significant cash and marketable securities, receivables and payables held in a currency other than the functional currency at a given legal entity. Due to the relative size of the entities using a functional currency other than the Taiwan Dollar, Euro, and British Pound Sterling, currency fluctuations related to these entities are not expected to have a material impact on the Company's financial statements.

The $22.6 million currency loss recognized in fiscal 2017 was primarily due to the weakening of the U.S. Dollar against the Taiwan Dollar, partially offset by the U.S. Dollar weakening against the Euro and the British Pound Sterling. During fiscal 2017, the U.S. Dollar weakened 9.4% against the Taiwan Dollar, resulting in a loss of $55.9 million, while the U.S. Dollar weakened 14.1% against the Euro and 9.5% against the British Pound Sterling, resulting in gains of $27.2 million and $3.1 million, respectively. The remaining net currency gain of $3.0 million is related to other currencies and timing of transactions.

The $31.7 million currency loss recognized in fiscal 2016 was primarily due to the weakening of the U.S. Dollar against the Taiwan Dollar and the strengthening of the U.S. Dollar against the Euro and British Pound Sterling. During fiscal 2016, the U.S. Dollar weakened 1.7% against the Taiwan Dollar, resulting in a loss of $9.2 million, while the U.S. Dollar strengthened 4.2% against the Euro and 16.8% against the British Pound Sterling, resulting in losses of $13.0 million and $5.1 million, respectively. The remaining net currency loss of $4.4 million is related to other currencies and timing of transactions.

*Income Tax Provision*

Our income tax benefit for the 52-weeks ended December 30, 2017 was $12.7 million compared to income tax expense of $118.9 million for the 53-weeks ended December 31, 2016, resulting in a net change of $131.6 million. Contributing to the decrease in tax expense was:

- Income tax benefit of $180.0 million related to the Company's Switzerland corporate tax election in the 52-weeks ended December 30, 2017 with no comparable item in the 53-weeks ended December 31, 2016,

Partially offset by:

- Income tax expense of $19.9 million related to share based compensation in the 52-weeks ended December 30, 2017 in accordance with new accounting standard Topic 718, Compensation–Stock Compensation, and
- Increased income tax expense of $21.0 million related to the Company's election to align certain Switzerland corporate tax positions in the 52-weeks ended December 30, 2017.

On December 22, 2017, the Tax Cuts and Jobs Act was passed by United States Congress, reducing the United States federal corporate income tax rate from 35% to 21%. The effects of U.S. tax reform, including revaluation of deferred tax assets and liabilities, had an immaterial impact on the 2017 income tax benefit, on a provisional basis, as discussed in Note 6.

*Net Income*

As a result of the various factors noted above, net income increased 36% to $695.0 million for the 52-weeks ended December 30, 2017 compared to $510.8 million for the 53-weeks ended December 31, 2016.

**Comparison of 53-Weeks Ended December 31, 2016 and 52-Weeks Ended December 26, 2015**

*Net Sales*

| | 53-weeks ended December 31, 2016 | | 52-weeks ended December 26, 2015 | | Year over Year | |
|---|---|---|---|---|---|---|
| | Net Sales | % of Revenues | Net Sales | % of Revenues | $ Change | % Change |
| Outdoor | $ 546,326 | 18 % | $ 411,184 | 15 % | $135,142 | 33 % |
| Fitness | 818,486 | 27 % | 661,599 | 23 % | 156,887 | 24 % |
| Marine | 331,947 | 11 % | 286,778 | 10 % | 45,169 | 16 % |
| Auto | 882,558 | 29 % | 1,062,091 | 38 % | (179,533) | -17 % |
| Aviation | 439,348 | 15 % | 398,618 | 14 % | 40,730 | 10 % |
| Total | $ 3,018,665 | 100 % | $ 2,820,270 | 100 % | $198,395 | 7 % |

Net sales increased 7% in 2016 when compared to the prior year period. All segments had an increase in revenue except for auto. Auto revenue remains the largest portion of our revenue mix at 29% in the 53-weeks ended December 31, 2016 compared to 38% in the 52-weeks ended December 26, 2015.

Total unit sales increased 4% to 16.8 million units in 2016 from 16.2 million units in 2015.

Auto segment revenue decreased 17% from the prior year period, primarily due to the ongoing PND market contraction. Outdoor, fitness, marine, and aviation revenues increased 33%, 24%, 16%, and 10%, respectively, when compared to the prior year period, primarily due to increases in sales volumes. Growth in outdoor was driven by wearables and the newly acquired DeLorme product lines. The increase in fitness was driven by wearables with Garmin Elevate™ wrist heart rate technology. Our marine segment increased due to growth in chartplotters, fishfinders, and entertainment systems. Aviation revenues increased due to growth in both OEM and aftermarket sales.

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***Cost of Goods Sold***

| | 53-weeks ended December 31, 2016 | | 52-weeks ended December 26, 2015 | | Year over Year | |
|---|---|---|---|---|---|---|
| | Cost of Goods | % of Revenues | Cost of Goods | % of Revenues | $ Change | % Change |
| Outdoor | $ 205,822 | 38 % | $ 156,306 | 38 % | $49,516 | 32 % |
| Fitness | 381,281 | 47 % | 295,460 | 45 % | 85,821 | 29 % |
| Marine | 148,238 | 45 % | 128,285 | 45 % | 19,953 | 16 % |
| Auto | 493,811 | 56 % | 597,611 | 56 % | (103,800) | -17 % |
| Aviation | 109,943 | 25 % | 103,904 | 26 % | 6,039 | 6 % |
| Total | $ 1,339,095 | 44 % | $ 1,281,566 | 45 % | $57,529 | 4 % |

Cost of goods sold increased 4% in absolute dollars for the 53-weeks ended December 31, 2016 when compared to the 52-weeks ended December 26, 2015.

In the auto segment, the cost of goods decline was largely consistent with the segment revenue decline. In the outdoor and fitness segments, the increases of 32% and 29% in cost of goods sold, respectively, primarily reflect strong volume growth. In the marine and aviation segments, the increases of 16% and 6%, respectively, primarily reflect volume growth.

***Gross Profit***

| | 53-weeks ended December 31, 2016 | | 52-weeks ended December 26, 2015 | | Year over Year | |
|---|---|---|---|---|---|---|
| | Gross Profit | % of Revenues | Gross Profit | % of Revenues | $ Change | % Change |
| Outdoor | $ 340,504 | 62 % | $ 254,878 | 62 % | $85,626 | 34 % |
| Fitness | 437,205 | 53 % | 366,139 | 55 % | 71,066 | 19 % |
| Marine | 183,709 | 55 % | 158,493 | 55 % | 25,216 | 16 % |
| Auto | 388,747 | 44 % | 464,480 | 44 % | (75,733 ) | -16 % |
| Aviation | 329,405 | 75 % | 294,714 | 74 % | 34,691 | 12 % |
| Total | $ 1,679,570 | 56 % | $ 1,538,704 | 55 % | $140,866 | 9 % |

Gross profit dollars in the 53-weeks ended December 31, 2016 increased 9% while gross profit margin increased 100 basis points compared to the 52-weeks ended December 26, 2015. Growth in sales of higher margin segments contributed to the increase in gross profit dollars and gross margin percentage. Fitness margin declined to 53% due to product mix. All other segment gross margin rates are relatively consistent between fiscal periods.

***Advertising Expenses***

| | 53-weeks ended December 31, 2016 | | 52-weeks ended December 26, 2015 | | Year over Year | |
|---|---|---|---|---|---|---|
| | Advertising Expense | % of Revenues | Advertising Expense | % of Revenues | $ Change | % Change |
| Outdoor | $ 31,005 | 6 % | $ 24,655 | 6 % | $ 6,350 | 26 % |
| Fitness | 90,871 | 11 % | 79,737 | 12 % | 11,134 | 14 % |
| Marine | 15,516 | 5 % | 16,106 | 6 % | (590 ) | -4 % |
| Auto | 33,122 | 4 % | 40,710 | 4 % | (7,588 ) | -19 % |
| Aviation | 6,629 | 2 % | 5,958 | 1 % | 671 | 11 % |
| Total | $ 177,143 | 6 % | $ 167,166 | 6 % | $ 9,977 | 6 % |

Advertising expense increased 6% in absolute dollars and was relatively flat as a percent of revenues in the 53-weeks ended December 31, 2016 compared to the 52-weeks ended December 26, 2015. The increase in absolute dollars is primarily attributable to outdoor and fitness, partially offset by auto.

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

| | 53-weeks ended December 31, 2016 | | 52-weeks ended December 26, 2015 | | Year over Year | |
|---|---|---|---|---|---|---|
| | Selling, General & Admin. Expenses | % of Revenues | Selling, General & Admin. Expenses | % of Revenues | $ Change | % Change |
| Outdoor | $ 77,016 | 14 % | $ 54,132 | 13 % | $ 22,884 | 42 % |
| Fitness | 118,753 | 15 % | 97,809 | 15 % | 20,944 | 21 % |
| Marine | 60,061 | 18 % | 60,834 | 21 % | (773 ) | -1 % |
| Auto | 127,618 | 14 % | 157,151 | 15 % | (29,533 ) | -19 % |
| Aviation | 27,110 | 6 % | 24,988 | 6 % | 2,122 | 8 % |
| Total | $ 410,558 | 14 % | $ 394,914 | 14 % | $ 15,644 | 4 % |

Selling, general and administrative expense increased 4% and was relatively flat as a percent of revenues in the 53-weeks ended December 31, 2016 compared to the 52-weeks ended December 26, 2015. The absolute dollar increase is primarily attributable to information technology costs and salaries and benefits. Variances by segment are primarily due to the allocation of certain selling, general and administrative expenses based on percentage of total revenues with the exception of the marine segment, as expenses decreased as a percentage of revenue due to prior year specific litigation matters.

***Research and Development Expense***

| | 53-weeks ended December 31, 2016 | | 52-weeks ended December 26, 2015 | | Year over Year | |
|---|---|---|---|---|---|---|
| | Research & Development | % of Revenues | Research & Development | % of Revenues | $ Change | % Change |
| Outdoor | $ 48,448 | 9 % | $ 37,021 | 9 % | $ 11,427 | 31 % |
| Fitness | 66,985 | 8 % | 54,019 | 8 % | 12,966 | 24 % |
| Marine | 55,965 | 17 % | 52,942 | 18 % | 3,023 | 6 % |
| Auto | 125,660 | 14 % | 130,550 | 12 % | (4,890 ) | -4 % |
| Aviation | 170,902 | 39 % | 152,511 | 38 % | 18,391 | 12 % |
| Total | $ 467,960 | 16 % | $ 427,043 | 15 % | $ 40,917 | 10 % |

Research and development expense increased 10% due to ongoing development activities for new products and additional engineering personnel throughout the 53-weeks ended December 31, 2016. In absolute dollars, research and development costs increased $40.9 million when compared with the 52-weeks ended December 26, 2015, and increased 40 basis points as a percent of revenue. Our research and development spending is focused on product development, improving existing software capabilities, and exploring new categories.

***Operating Income***

| | 53-weeks ended December 31, 2016 | | 52-weeks ended December 26, 2015 | | Year over Year | |
|---|---|---|---|---|---|---|
| | Operating Income | % of Revenues | Operating Income | % of Revenues | $ Change | % Change |
| Outdoor | $ 184,035 | 34 % | $ 139,070 | 34 % | $44,965 | 32 % |
| Fitness | 160,596 | 20 % | 134,574 | 20 % | 26,022 | 19 % |
| Marine | 52,167 | 16 % | 28,611 | 10 % | 23,556 | 82 % |
| Auto | 102,347 | 12 % | 136,069 | 13 % | (33,722) | -25 % |
| Aviation | 124,764 | 28 % | 111,257 | 28 % | 13,507 | 12 % |
| Total | $ 623,909 | 21 % | $ 549,581 | 19 % | $74,328 | 14 % |

As a result of the above, operating income increased 14% in absolute dollars and 120 basis points as a percent of revenue when compared to the 52-weeks ended December 26, 2015. Revenue growth with a slight increase in gross margin percentage contributed to the growth, slightly offset by increased operating expenses, as discussed above, with the exception of the marine segment, as operating expenses decreased as a percentage of revenue due to prior year specific litigation matters.

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***Other Income (Expense)***

| | 53-weeks ended December 31, 2016 | 52-weeks ended December 26, 2015 |
|---|---|---|
| Interest income | $ 33,406 | $ 29,653 |
| Foreign currency gains (losses) | (31,651) | (23,465) |
| Other | 4,006 | 11,418 |
| Total | $ 5,761 | $ 17,606 |

The average returns on cash and investments, including interest and capital gain/loss returns, during the 53-weeks ended December 31, 2016 and the 52-weeks ended December 26, 2015 were 1.5% and 1.2%, respectively. Interest income increased primarily due to slightly higher yields on fixed-income securities.

Foreign currency gains and losses for the Company are typically driven by movements in the Taiwan Dollar, Euro, and British Pound Sterling in relation to the U.S. Dollar. The Taiwan Dollar is the functional currency of Garmin Corporation, the U.S. Dollar is the functional currency of Garmin (Europe) Ltd., and the Euro is the functional currency of most of our other European subsidiaries, although some transactions and balances are denominated in British Pounds. The majority of the Company's consolidated foreign currency gain or loss is typically driven by the significant cash and marketable securities, receivables and payables held in a currency other than the functional currency at a given legal entity. Due to the relative size of the entities using a functional currency other than the Taiwan Dollar, Euro, and British Pound Sterling, currency fluctuations related to these entities are not expected to have a material impact on the Company's financial statements.

The $31.7 million currency loss in fiscal 2016 was primarily due to the weakening of the U.S. Dollar against the Taiwan Dollar and the strengthening of the U.S. Dollar against the Euro and British Pound Sterling. During fiscal 2016, the U.S. Dollar weakened 1.7% against the Taiwan Dollar, resulting in a loss of $9.2 million, while the U.S. Dollar strengthened 4.2% against the Euro and 16.8% against the British Pound Sterling, resulting in losses of $13.0 million and $5.1 million, respectively. The remaining net currency loss of $4.4 million was related to other currencies and timing of transactions.

The $23.5 million currency loss in fiscal 2015 was primarily due to the strengthening of the U.S. Dollar against the Euro and British Pound Sterling, partially offset by a gain associated with the strengthening of the U.S. Dollar against the Taiwan Dollar. During fiscal 2015, the U.S. Dollar strengthened 10.0% against the Euro and 4.6% against the British Pound Sterling, resulting in losses of $31.2 million and $2.1 million, respectively. This was largely offset by the U.S. Dollar strengthening 3.8% against the Taiwan Dollar, resulting in a gain of $19.5 million. The remaining net currency loss of $9.7 million was related to other currencies and timing of transactions.

During the 53-weeks ended December 31, 2016, Garmin recorded other income of $4.0 million compared to $11.4 million in the 52-weeks ended December 26, 2015. The decrease in fiscal 2016 relates primarily to a legal settlement received in fiscal 2015.

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***Income Tax Provision***

Our income tax expense increased by $7.9 million, to $118.9 million for the 53-weeks ended December 31, 2016, from $111.0 million for the 52-weeks ended December 26, 2015. Contributing to the increase was:

- Increased income before taxes in the 53-weeks ended December 31, 2016 compared to the 52-weeks ended December 26, 2015,

Partially offset by:

- A net release of uncertain tax position reserves due to expiration of certain statutes of limitations of $11.9 million for the 53-weeks ended December 31, 2016, as compared with $7.3 million for the 52-weeks ended December 26, 2015.

***Net Income***

As a result of the various factors noted above, net income increased 12% to $510.8 million for the 53-weeks ended December 31, 2016 compared to $456.2 million for the 52-weeks ended December 26, 2015.

**Liquidity and Capital Resources**

As of December 30, 2017, we had $2,313.2 million of cash and cash equivalents and marketable securities. We primarily use cash flow from operations, and expect that future cash requirements will be used, to fund our capital expenditures, support our working capital requirements, pay dividends, fund share repurchases, and fund strategic acquisitions. We believe that our existing cash balances and cash flow from operations will be sufficient to meet our long-term projected capital expenditures, working capital and other cash requirements.

It is management's goal to invest the on-hand cash in accordance with the investment policy, which has been approved by the Board of Directors of each applicable Garmin entity holding the cash. The investment policy's primary purpose is to preserve capital, maintain an acceptable degree of liquidity, and maximize yield within the constraint of low credit risk. Garmin's average interest rate returns on cash and investments during fiscal 2017, 2016, and 2015 were approximately 1.6%, 1.5%, and 1.2%, respectively. The fair value of our securities varies from period to period due to changes in interest rates, in the performance of the underlying collateral and in the credit performance of the underlying issuer, among other factors. See Note 3 for additional information regarding marketable securities.

*Operating Activities*

| (In thousands) | 52-Weeks Ended December 30, 2017 | 53-Weeks Ended December 31, 2016 | 52-Weeks Ended December 26, 2015 |
|---|---|---|---|
| Net cash provided by operating activities | $ 660,842 | $ 705,682 | $ 280,467 |

The $44.8 million decrease in cash provided by operating activities in fiscal year 2017 compared to fiscal year 2016 was primarily due to a decrease of cash provided by working capital of $133.2 million (which included increases of $52.2 million in accounts receivable and $31.5 million in cash paid for inventory) and income taxes payable of $16.5 million. The decrease was partially offset by an increase in net income of $184.1 million, reduced by other non-cash adjustments to net income of $79.3 million.

The $425.2 million increase in cash provided by operating activities in fiscal year 2016 compared to fiscal year 2015 was primarily due to an increase in cash provided by working capital of $223.5 million (which included decreases of $122.5 million in cash paid for inventory and $109.6 million in cash paid for prepaid royalties and other assets) and income taxes payable of $154.0 million, primarily attributable to cash taxes paid related to a 2015 intercompany restructuring. The increase was also impacted by an increase of net income of $54.6 million, reduced by other non-cash adjustments to net income of $6.9 million.

*Investing Activities*

| (In thousands) | 52-Weeks Ended December 30, 2017 | 53-Weeks Ended December 31, 2016 | 52-Weeks Ended December 26, 2015 |
|---|---|---|---|
| Net cash used in investing activities | $ (194,536 ) | $ (121,537 ) | $ (111,979 ) |

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The $73.0 million increase in cash used in investing activities in fiscal year 2017 compared to fiscal year 2016 was primarily due to increased cash payments for net purchases of property and equipment of $49.1 million and net cash paid for acquisitions of $12.5 million.

The $9.6 million increase in cash used in investing activities in fiscal year 2016 compared to fiscal year 2015 was primarily due to increased net cash paid for acquisitions of $39.3 million and net purchases of property and equipment of $17.6 million, partially offset by an increase of $49.0 million in net redemptions of marketable securities.

We have budgeted approximately $140 million to $150 million of capital expenditures during fiscal 2018 to include some facility expansion, along with normal ongoing capital expenditures and maintenance activities. Approximately half of the budgeted capital expenditures in fiscal 2018 are attributable to Olathe, KS facilities, including the expansion project described in “Item 2. Properties.”

***Financing Activities***

| (In thousands) | 52-Weeks Ended December 30, 2017 | 53-Weeks Ended December 31, 2016 | 52-Weeks Ended December 26, 2015 |
|---|---|---|---|
| Net cash used in financing activities | $ (448,412 ) | $ (561,676 ) | $ (500,092 ) |

The $113.3 million decrease in cash used in financing activities in fiscal year 2017 compared to fiscal year 2016 was primarily due to decreased dividend payments of $98.5 million associated with an additional payment made in the 53-week fiscal year 2016 and a decrease of purchases of treasury stock of $18.7 million under our share repurchase authorization.

The $61.6 million increase in cash used in financing activities in fiscal year 2016 compared to fiscal year 2015 was primarily due to increased dividend payments of $103.3 million associated with an additional payment made in the 53-week fiscal year 2016 and the year-over-year increase of our dividend rate, partially offset by a decrease of purchases of treasury stock of $38.2 million under our share repurchase authorization.

Our declared dividend has increased from $0.48 per share for the four calendar quarters beginning in June 2014 to $0.51 per share for the twelve calendar quarters beginning in June 2015.

***Contractual Obligations and Commercial Commitments***

As of December 30, 2017, operating leases comprise the substance of the Company's commercial commitments with long-term scheduled payments, as summarized below:

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| Contractual Obligations | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Operating Leases | $82,210 | $ 17,572 | $25,777 | $17,255 | $ 21,606 |

The Company is party to certain other commitments, which include purchases of raw materials, advertising expenditures, and other indirect purchases in connection with conducting our business. The aggregate amount of purchase orders and other commitments open as of December 30, 2017 was approximately $313.4 million. We cannot determine the aggregate amount of such purchase orders that represent contractual obligations because purchase orders may represent authorizations to purchase rather than binding agreements. Our purchase orders are based on our current needs and are typically fulfilled within short periods of time.

We may be required to make significant cash outlays related to unrecognized tax benefits. However, due to the uncertainty of the timing of future cash flows associated with our unrecognized tax benefits, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities. Accordingly, unrecognized tax benefits of $130.8 million as of December 30, 2017, have been excluded from the contractual obligations table above. For further information related to unrecognized tax benefits, see Note 2, "Income Taxes," to the consolidated financial statements included in this Report.

***Off-Balance Sheet Arrangements***

We do not have any off-balance sheet arrangements.

**Item 7A. 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 materials costs are both significantly influenced by semiconductor market conditions. Historically, during cyclical industry 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 materials 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 Garmin’s subsidiaries in international markets results in exposure to movements in currency exchange rates. We have experienced significant foreign currency gains and losses due to the strengthening and weakening of the U.S. dollar. The potential of volatile foreign exchange rate fluctuations in the future could have a significant effect on our results of operations. The Company has not historically hedged its foreign currency exchange rate risks.

The currencies that create a majority of the Company’s exchange rate exposure are the Taiwan Dollar, Euro, and British Pound Sterling. Garmin Corporation, headquartered in Xizhi, Taiwan, uses the local currency as the functional currency. The Company translates all assets and liabilities at year-end exchange rates and income and expense accounts at average rates during the year. In order to minimize the effect of the currency exchange fluctuations on our net assets, we have elected to retain most of our Taiwan subsidiary’s cash and investments in marketable securities denominated in U.S. Dollars.

Most European subsidiaries use the Euro as the functional currency. The functional currency of our largest European subsidiary, Garmin (Europe) Ltd. remains the U.S. Dollar, and as some transactions occurred in British Pounds Sterling or Euros, foreign currency gains or losses have been realized historically related to the movements of those currencies relative to the U.S. Dollar. The Company believes that gains and losses will become more material in the future as our European presence grows.

During fiscal year 2017, the Company incurred a net foreign currency loss of $22.6 million, primarily due to the weakening of the U.S. Dollar against the Taiwan Dollar, partially offset by the U.S. Dollar weakening against the Euro and the British Pound Sterling. During fiscal 2017, the U.S. Dollar weakened 9.4% against the Taiwan Dollar, resulting in a loss of $55.9 million, while the U.S. Dollar weakened 14.1% against the Euro and 9.5% against the British Pound Sterling, resulting in gains of $27.2 million and $3.1 million, respectively. The remaining net currency gain of $3.0 million is related to other currencies and timing of transactions. These and other currency moves during fiscal year 2017 also resulted in a currency translation adjustment of $88.3 million within accumulated other comprehensive income.

We assessed the Company's exposure to movements in currency exchange rates by performing a sensitivity analysis of adverse changes in exchange rates and the corresponding impact to our results of operations. Based on monetary assets and liabilities denominated in currencies other than respective functional currencies as of December 30, 2017 and December 31, 2016, hypothetical and reasonably possible adverse changes of 10% for the Taiwan Dollar, Euro, and British Pound Sterling would have resulted in an adverse impact on income before income taxes of approximately $96 million and $92 million at December 30, 2017 and December 31, 2016.

**Interest Rate Risk**

We have no outstanding long-term debt as of December 30, 2017. We, therefore, have no meaningful debt-related interest rate risk.

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.

The Company's investment policy targets low risk investments with the objective of minimizing the potential risk of principal loss. The Company does not intend to sell securities in an unrealized loss position and it is not more likely than not that the Company will be required to sell such investments before recovery of their amortized costs bases, which may be maturity. During 2017 and 2016, the Company did not record any material impairment charges on its outstanding securities.

We assessed the Company's exposure to interest rate risk by performing a sensitivity analysis of a parallel shift in the yield curve and the corresponding impact to the Company's portfolio of marketable securities. Based on balance sheet positions as of December 30, 2017 and December 31, 2016, the hypothetical and reasonably possible 100 basis point increases in interest rates across all securities would have resulted in declines in portfolio fair market value of approximately $42 million and $45 million at December 30, 2017 and December 30, 2016, respectively. Such losses would only be realized if the Company sold the investments prior to maturity.

**Item 8. Financial Statements and Supplementary Data**

CONSOLIDATED FINANCIAL STATEMENTS

Garmin Ltd. and Subsidiaries

Years Ended December 30, 2017, December 31, 2016, December 26, 2015

**Contents**

**Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Garmin Ltd. and Subsidiaries

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Garmin Ltd. and Subsidiaries (the Company) as of December 30, 2017 and December 31, 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 30, 2017 and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 30, 2017 and December 31, 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 30, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 30, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 21, 2018, expressed an unqualified opinion thereon.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

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

Kansas City, Missouri

February 21, 2018

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**Garmin Ltd. And Subsidiaries**

**Consolidated Balance Sheets**

*(In thousands, except per share information)*

| | December 30, 2017 | December 31, 2016 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 891,488 | $ 846,883 |
| Marketable securities *(Note 3)* | 161,687 | 266,952 |
| Accounts receivable, less allowance for doubtful accounts of $4,168 in 2017 and $14,669 in 2016 | 590,882 | 527,062 |
| Inventories, net | 517,644 | 484,821 |
| Deferred costs | 48,312 | 47,395 |
| Prepaid expenses and other current assets | 153,912 | 89,903 |
| Total current assets | 2,363,925 | 2,263,016 |
| | | |
| Property and equipment, net | | |
| Land and improvements | 114,701 | 104,740 |
| Building and improvements | 482,794 | 376,916 |
| Office furniture and equipment | 246,107 | 222,439 |
| Manufacturing equipment | 156,119 | 129,526 |
| Engineering equipment | 141,321 | 124,979 |
| Vehicles | 21,115 | 21,259 |
| | 1,162,157 | 979,859 |
| Accumulated depreciation | (566,473) | (496,981) |
| | 595,684 | 482,878 |
| | | |
| Restricted cash *(Note 4)* | 271 | 113 |
| Marketable securities *(Note 3)* | 1,260,033 | 1,213,285 |
| Deferred income taxes *(Note 6)* | 199,343 | 110,293 |
| Noncurrent deferred costs | 73,851 | 56,151 |
| Intangible assets, net | 409,801 | 305,002 |
| Other assets | 107,352 | 94,395 |
| Total assets | $ 5,010,260 | $ 4,525,133 |
| | | |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | $ 169,640 | $ 172,404 |
| Salaries and benefits payable | 102,802 | 88,818 |
| Accrued warranty costs | 36,827 | 37,233 |
| Accrued sales program costs | 93,250 | 80,953 |
| Deferred revenue | 139,681 | 146,564 |

| | | |
|---|---|---|
| Accrued royalty costs | 32,204 | 36,523 |
| Accrued advertising expense | 30,987 | 37,440 |
| Other accrued expenses | 93,652 | 70,469 |
| Income taxes payable | 33,638 | 16,163 |
| Dividend payable | 95,975 | 96,168 |
| Total current liabilities | 828,656 | 782,735 |
| | | |
| Deferred income taxes *(Note 6)* | 75,215 | 61,220 |
| Noncurrent income taxes | 138,295 | 121,174 |
| Noncurrent deferred revenue | 163,840 | 140,407 |
| Other liabilities | 1,788 | 1,594 |
| | | |
| Stockholders' equity: | | |
| Shares, CHF 0.10 par value, 198,077 shares authorized and issued, 188,189 shares outstanding at December 30, 2017; and 188,565 shares outstanding at December 31, 2016; *(Notes 9, 10, and 11):* | 17,979 | 17,979 |
| Additional paid-in capital | 1,828,386 | 1,836,047 |
| Treasury stock | (468,818) | (455,964) |
| Retained earnings | 2,368,874 | 2,056,702 |
| Accumulated other comprehensive income (loss) | 56,045 | (36,761) |
| Total stockholders' equity | 3,802,466 | 3,418,003 |
| Total liabilities and stockholders' equity | $ 5,010,260 | $ 4,525,133 |

*See accompanying notes.*

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**Garmin Ltd. And Subsidiaries**

**Consolidated Statements of Income**

*(In thousands, except per share information)*

| | Fiscal Year Ended December 30, 2017 | December 31, 2016 | December 26, 2015 |
|---|---|---|---|
| Net sales | $3,087,004 | $ 3,018,665 | $ 2,820,270 |
| Cost of goods sold | 1,303,840 | 1,339,095 | 1,281,566 |
| Gross profit | 1,783,164 | 1,679,570 | 1,538,704 |
| | | | |
| Advertising expense | 164,693 | 177,143 | 167,166 |
| Selling, general and administrative expenses | 437,977 | 410,558 | 394,914 |
| Research and development expense | 511,634 | 467,960 | 427,043 |
| | 1,114,304 | 1,055,661 | 989,123 |
| Operating income | 668,860 | 623,909 | 549,581 |
| | | | |
| Other income (expense): | | | |
| Interest income | 36,925 | 33,406 | 29,653 |
| Foreign currency losses | (22,579) | (31,651) | (23,465) |
| Other | (912) | 4,006 | 11,418 |
| | 13,434 | 5,761 | 17,606 |
| Income before income taxes | 682,294 | 629,670 | 567,187 |
| | | | |
| Income tax provision (benefit): *(Note 6)* | | | |
| Current | 79,234 | 117,842 | 114,222 |
| Deferred | (91,895) | 1,014 | (3,262) |
| | (12,661) | 118,856 | 110,960 |
| Net income | $694,955 | $ 510,814 | $ 456,227 |
| | | | |
| Basic net income per share *(Note 10)* | $3.70 | $ 2.71 | $ 2.39 |
| Diluted net income per share *(Note 10)* | $3.68 | $ 2.70 | $ 2.39 |

*See accompanying notes.*

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**Garmin Ltd. And Subsidiaries**

**Consolidated Statements of Comprehensive Income**

*(In thousands)*

| | Fiscal Year Ended | | |
|---|---|---|---|
| | December 30, 2017 | December 31, 2016 | December 26, 2015 |
| Net income | $694,955 | $ 510,814 | $ 456,227 |
| Foreign currency translation adjustment | 88,320 | 4,696 | (34,981) |
| Change in fair value of available-for-sale marketable securities, net of deferred taxes | 4,486 | (11,029) | 1,982 |
| Comprehensive income | $787,761 | $ 504,481 | $ 423,228 |

*See accompanying notes.*

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**Garmin Ltd. And Subsidiaries**

**Consolidated Statements of Stockholders' Equity**

*(In thousands)*

| | Common Stock | Additional Paid-In Capital | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|---|---|
| Balance at December 27, 2014 | $1,797,435 | $73,521 | $(330,132) | $1,859,972 | $ 2,571 | $3,403,367 |
| Net income | – | – | – | 456,227 | – | 456,227 |
| Translation adjustment | – | – | – | – | (34,981) | (34,981) |
| Adjustment related to unrealized gains (losses) on available-for-sale securities net of income tax effects of $115 | – | – | – | – | 1,982 | 1,982 |
| Comprehensive income | | | | | | 423,228 |
| Dividends declared | – | (100) | – | (385,682) | – | (385,782) |
| Tax benefit from issuance of equity awards | – | (2,050) | – | – | – | (2,050) |
| Issuance of treasury stock related to equity awards | – | (35,422) | **52,494** | – | – | 17,072 |
| Stock compensation | – | 26,290 | | – | – | 26,290 |
| Purchase of treasury stock related to equity awards | – | – | (5,586) | – | – | (5,586) |
| Purchase of treasury stock under share repurchase plan | – | – | (131,413) | – | – | (131,413) |
| Balance at December 26, 2015 | $1,797,435 | $62,239 | $(414,637) | $1,930,517 | $ (30,428) | $3,345,126 |
| Net income | – | – | – | 510,814 | – | 510,814 |
| Translation adjustment | – | – | – | – | 4,696 | 4,696 |
| Adjustment related to unrealized gains (losses) on available-for-sale securities net of income tax effects of $1,094 | – | – | – | – | (11,029) | (11,029) |
| Comprehensive income | | | | | | 504,481 |
| Dividends declared | – | - | – | (384,629) | – | (384,629) |
| Tax benefit from issuance of equity awards | – | (6,309) | – | – | – | (6,309) |
| Issuance of treasury stock related to equity awards | – | (40,589) | **59,237** | – | – | 18,648 |
| Stock compensation | – | 41,250 | – | – | – | 41,250 |
| Purchase of treasury stock related to equity awards | – | – | (7,331) | – | – | (7,331) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Purchase of treasury stock under share repurchase plan | – | – | (93,233 ) | – | – | (93,233 ) |
| Reduction in par value of Common Stock | (1,779,456) | 1,779,456 | – | – | – | – |
| Balance at December 31, 2016 | $17,979 | $1,836,047 | $(455,964) | $2,056,702 | $ (36,761 ) | $3,418,003 |
| Net income | – | – | – | 694,955 | – | 694,955 |
| Translation adjustment | – | – | – | – | 88,320 | 88,320 |
| Adjustment related to unrealized gains (losses) on available-for-sale securities net of income tax effects of $493 | – | – | – | – | 4,486 | 4,486 |
| Comprehensive income | | | | | | 787,761 |
| Dividends declared | – | – | – | (382,783 ) | – | (382,783 ) |
| Issuance of treasury stock related to equity awards | – | (52,581 ) | **74,442** | – | – | 21,861 |
| Stock compensation | – | 44,735 | – | – | – | 44,735 |
| Purchase of treasury stock related to equity awards | – | 185 | (12,773 ) | – | – | (12,588 ) |
| Purchase of treasury stock under share repurchase plan | – | – | (74,523 ) | – | – | (74,523 ) |
| Balance at December 30, 2017 | $17,979 | $1,828,386 | $(468,818) | $2,368,874 | $ 56,045 | $3,802,466 |

*See accompanying notes.*

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**Garmin Ltd. And Subsidiaries**

**Consolidated Statements of Cash Flows**

*(In thousands)*

| | Fiscal Year Ended | | |
|---|---|---|---|
| | December 30, 2017 | December 31, 2016 | December 26, 2015 |
| Operating Activities: | | | |
| Net income | $694,955 | $ 510,814 | $ 456,227 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | 59,895 | 55,796 | 51,311 |
| Amortization | 26,357 | 30,544 | 27,049 |
| Gain on sale of property and equipment | (230) | (503) | (198) |
| Provision for doubtful accounts | 1,021 | 4,136 | (2,521) |
| Provision for obsolete and slow-moving inventories | 31,071 | 26,458 | 23,257 |
| Unrealized foreign currency losses | 21,036 | 13,387 | 37,931 |
| Deferred income taxes | (90,725) | 1,699 | 5,897 |
| Stock compensation | 44,735 | 41,250 | 26,290 |
| Realized losses (gains) on marketable securities | 991 | (822) | (55) |
| Changes in operating assets and liabilities, net of acquisitions: | | | |
| Accounts receivable | (40,088) | 9,000 | 22,473 |
| Inventories | (38,575) | (2,455) | (121,718) |
| Other current and non-current assets | (21,608) | 2,234 | (107,360) |
| Accounts payable | (17,240) | (11,496) | 36,079 |
| Other current and non-current liabilities | 5,627 | 44,766 | 20,742 |
| Deferred revenue | 15,329 | (6,363) | (43,338) |
| Deferred costs | (18,266) | (15,780) | (585) |
| Income taxes payable | (13,443) | 3,017 | (151,014) |
| Net cash provided by operating activities | 660,842 | 705,682 | 280,467 |
| | | | |
| Investing activities: | | | |
| Purchases of property and equipment | (139,696) | (90,960) | (80,592) |
| Proceeds from sale of property and equipment | 361 | 676 | 7,921 |
| Purchase of intangible assets | (12,232) | (5,715) | (3,889) |
| Purchase of marketable securities | (587,656) | (905,089) | (915,921) |
| Redemption of marketable securities | 635,311 | 957,350 | 919,141 |
| Acquisitions, net of cash acquired | (90,471) | (77,945) | (38,687) |
| Change in restricted cash | (153) | 146 | 48 |
| Net cash used in investing activities | (194,536) | (121,537) | (111,979) |
| | | | |
| Financing activities: | | | |

| | | | |
|---|---|---|---|
| Dividends | (382,976) | (481,452) | (378,117) |
| Tax benefit from issuance of equity awards | - | 1,692 | (2,049) |
| Proceeds from issuance of treasury stock related to equity awards | 21,860 | 18,648 | 17,073 |
| Purchase of treasury stock related to equity awards | (12,773) | (7,331) | (5,586) |
| Purchase of treasury stock under share repurchase plan | (74,523) | (93,233) | (131,413) |
| Net cash used in financing activities | (448,412) | (561,676) | (500,092) |
| | | | |
| Effect of exchange rate changes on cash and cash equivalents | 26,711 | (8,656) | (31,594) |
| | | | |
| Net increase (decrease) in cash and cash equivalents | 44,605 | 13,813 | (363,198) |
| Cash and cash equivalents at beginning of year | 846,883 | 833,070 | 1,196,268 |
| Cash and cash equivalents at end of year | $ 891,488 | $ 846,883 | $ 833,070 |

*See accompanying notes.*

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**Garmin Ltd. And Subsidiaries**

**Consolidated Statements of Cash Flows (continued)**

*(In thousands)*

| | Fiscal Year Ended | | |
|---|---|---|---|
| | December 30, 2017 | December 31, 2016 | December 26, 2015 |
| Supplemental disclosures of cash flow information | | | |
| Cash paid during the year for income taxes | $106,146 | $ 115,548 | $ 252,885 |
| Cash received during the year from income tax refunds | $3,806 | $ 4,275 | $ 3,793 |
| Supplemental disclosure of non-cash investing and financing activities | | | |
| Increase in accrued capital expenditures related to purchases of property and equipment | $13,864 | $ 2,154 | $ - |
| Change in marketable securities related to unrealized appreciation (depreciation) | $4,979 | $ (12,123) | $ 1,867 |
| Fair value of assets acquired | $128,190 | $ 91,620 | $ 38,687 |
| Liabilities assumed | (29,587) | (6,344) | - |
| Less: cash acquired | (8,132) | (7,331) | - |
| Cash paid for acquisitions, net of cash acquired | $90,471 | $ 77,945 | $ 38,687 |

*See accompanying notes.*

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**GARMIN LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

***(In thousands, except share and per share information)***

***December 30, 2017 and December 31, 2016***

## 1. Description of the Business

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

## 2. Summary of Significant Accounting Policies

### Basis of Presentation and Principles of Consolidation

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

At the Company’s Annual General Meeting on June 10, 2016, the Company’s shareholders approved the cancellation of 10,000,000 registered shares of the Company held by the Company (the “Formation Shares”) and the reduction in par value of each share of the Company from CHF 10 to CHF 0.10 and the amendment of the Company’s Articles of Association to effect a corresponding share capital reduction.

**Fiscal Year**

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

In those resulting fiscal years that have 53 weeks, the Company will record an extra week of sales, costs, and related financial activity. Therefore, the financial results of those 53-week fiscal years, and the associated 14-week fourth quarters, will not be entirely comparable to the prior and subsequent 52-week fiscal years and the associated 13-week quarters. Fiscal years 2017 and 2015 included 52 weeks while fiscal 2016 included 53 weeks.

**Use of Estimates**

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

**Foreign Currency**

Many Garmin Ltd. subsidiaries utilize currencies other than the United States Dollar (USD) as their functional currency. As required by the Foreign Currency Matters topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the financial statements of these subsidiaries for all periods presented have been translated into USD, the functional currency of Garmin Ltd., and the reporting currency herein, for purposes of consolidation at rates prevailing during the year for sales, costs, and expenses and at end-of-year rates for all assets and liabilities. The effect of this translation is recorded in a separate component of stockholders' equity. Cumulative currency translation adjustments of $78,909 and ($9,411) as of December 30, 2017 and December 31, 2016, respectively, have been included in accumulated other comprehensive income in the accompanying consolidated balance sheets.

Transactions in foreign currencies are recorded at the approximate rate of exchange at the transaction date. The movements of the Taiwan Dollar and Euro/British Pound Sterling typically have offsetting impacts on operating income when the currencies move congruently against the U.S. Dollar due to the use of the Taiwan Dollar for manufacturing costs while the Euro and British Pound Sterling transactions relate primarily to revenue.

Assets and liabilities resulting from these transactions are translated at the rate of exchange in effect at the balance sheet date. The majority of the Company's consolidated foreign currency gain or loss is typically driven by the significant cash and marketable securities, receivables and payables held in a currency other than the functional currency at a given legal entity. Foreign currency losses recorded in results of operations were $22,579, $31,651, and $23,465 for the years ended December 30, 2017, December 31, 2016, and December 26, 2015, respectively. The loss in fiscal 2017 was due primarily to the USD weakening against the Taiwan Dollar, which was partially offset by the USD weakening against the Euro and British Pound Sterling. The loss in fiscal 2016 was due primarily to the USD weakening against the Taiwan Dollar and the USD strengthening against the Euro and British Pound Sterling. The loss in fiscal 2015 was due primarily to the USD strengthening against the Euro and British Pound Sterling, which was partially offset by the USD strengthening against the Taiwan Dollar.

**Earnings Per Share**

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

**Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, operating accounts, money market funds, and securities with maturities of three months or less when purchased. The carrying amount of cash and cash equivalents approximates fair value, given the short maturity of those instruments.

**Trade Accounts Receivable**

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

**Concentration of Credit Risk**

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

The Company's top ten customers have contributed between 22% and 24% of net sales since 2015. None of the Company's customers accounted for more than or equal to 10% of consolidated net sales in the years ended December 30, 2017, December 31, 2016, and December 26, 2015.

**Inventories**

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

| | December 30, 2017 | **December 31, 2016[(1)]** |
|---|---|---|
| Raw materials | $ 179,659 | $ 152,497 |
| Work-in-process | 75,754 | 61,048 |
| Finished goods | 262,231 | 271,276 |
| Inventory | $ 517,644 | $ 484,821 |

(1) Inventory balances by major class of inventory as of December 31, 2016 have been recast to conform to the current year presentation.

**Property and Equipment**

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

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

**Long-Lived Assets**

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

The *Intangibles – Goodwill and Other* topic of the FASB ASC (ASC Topic 350) requires that goodwill and intangible assets with indefinite useful lives should not be amortized but rather be tested for impairment at least annually or sooner whenever events or changes in circumstances indicate that they may be impaired. The Company performs its annual goodwill and intangible asset impairment tests in the fourth quarter of each year. ASC Topic 350 allows management to first perform a qualitative assessment ("step zero") by assessing the qualitative factors of relevant events and circumstances at the reporting unit level to determine if it is necessary to perform the quantitative goodwill impairment test ("step one"). If factors indicate that it is more likely than not that the fair value of the reporting unit is less than the carrying amount, then the step one assessment will be performed. If the fair value of the reporting unit is less than the carrying amount in step one then goodwill impairment will be recognized and the charge is determined through the "step two" analysis.

Each of the Company's operating segments (auto PND, auto OEM, aviation, marine, outdoor, and fitness) represents a distinct reporting unit. The auto PND market has declined in recent years as competing technologies have emerged and market saturation has occurred. This has resulted in periods of lower revenues and profits for the Company's auto PND reporting unit. Considering these qualitative factors, management performed a step one quantitative goodwill impairment assessment of the auto PND reporting unit in the fourth quarter of 2017. Management determined that the fair value of the reporting unit was substantially in excess of its carrying amount, and a step two analysis was therefore not performed. However, considering the uncertainty of future operating results and/or market conditions deteriorating faster or more drastically than the forecasts utilized in management's estimation of fair value, management believes some or all of the approximately $80 million of goodwill associated with the Company's auto PND reporting unit is at risk of future impairment. Management concluded that no other reporting units are currently at risk of impairment.

The Company did not recognize any material goodwill or intangible asset impairment charges in 2017, 2016, or 2015.

Accounting guidance also requires that intangible assets with finite lives be amortized over their estimated useful lives and reviewed for impairment. The Company is currently amortizing its acquired intangible assets with finite lives over periods ranging from three to ten years.

**Dividends**

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

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

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

The Company paid dividends in 2017 in the amount of $382,976. Both the dividends paid and the remaining dividend payable were reported as a reduction of retained earnings.

On June 10, 2016, the shareholders approved a dividend of $2.04 per share (of which, $1.53 was paid in the Company's 2016 fiscal year) payable in four equal installments on dates determined by the Board of Directors. The dates determined by the Board were as follows:

| Dividend Date | Record Date | $s per share |
|---|---|---|
| June 30, 2016 | June 16, 2016 | $ 0.51 |
| September 30, 2016 | September 15, 2016 | $ 0.51 |
| December 30, 2016 | December 14, 2016 | $ 0.51 |
| March 31, 2017 | March 15, 2017 | $ 0.51 |

The Company paid dividends in 2016 in the amount of $481,452. Both the dividends paid and the remaining dividend payable were reported as a reduction of retained earnings.

On June 5, 2015, the shareholders approved a dividend of $2.04 per share (of which, $1.02 was paid in the Company's 2015 fiscal year) payable in four equal installments on dates determined by the Board of Directors. The dates determined by the Board were as follows:

| Dividend Date | Record Date | $s per share |
|---|---|---|
| June 30, 2015 | June 16, 2015 | $ 0.51 |
| September 30, 2015 | September 15, 2015 | $ 0.51 |
| December 31, 2015 | December 15, 2015 | $ 0.51 |
| March 31, 2016 | March 16, 2016 | $ 0.51 |

The Company paid dividends in 2015 in the amount of $378,117. Both the dividends paid and the remaining dividend payable were reported as a reduction of retained earnings.

As of December 30, 2017 and December 31, 2016, approximately $304,674 of retained earnings was indefinitely restricted from distribution to stockholders pursuant to the laws of Taiwan.

**Intangible Assets**

At December 30, 2017, and December 31, 2016, the Company had patents, customer related intangibles and other identifiable finite-lived intangible assets recorded at a cost of $316,705 and $253,473, respectively. Identifiable, finite-lived intangible assets are amortized over their estimated useful lives on a straight-line basis over three to ten years. Accumulated amortization was $193,886 and $173,023 at December 30, 2017, and December 31, 2016, respectively. Amortization expense on these intangible assets was $20,863, $14,319, and $7,115 for the years ended December 30, 2017, December 31, 2016, and December 26, 2015, respectively. In the next five years, the amortization expense is estimated to be $18,796, $16,293, $14,167, $10,463, and $8,111, respectively.

The Company’s excess purchase cost over fair value of net assets acquired (goodwill) was $286,982 at December 30, 2017, and $224,553 at December 31, 2016.

| | December 30, 2017 | December 31, 2016 |
|---|---|---|
| Goodwill balance at beginning of year | $ 224,553 | $ 187,791 |
| Acquisitions | 58,332 | 38,061 |
| Finalization of purchase price allocations and effect of foreign currency translation | 4,097 | (1,299) |
| Goodwill balance at end of year | $ 286,982 | $ 224,553 |

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**Marketable Securities**

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

All of the Company's marketable securities were considered available-for-sale at December 30, 2017. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive income (loss). At December 30, 2017 and December 31, 2016, cumulative unrealized net losses of $22,864 and $27,350, respectively, were reported in accumulated other comprehensive income, net of related taxes.

Investments are reviewed periodically to determine if they have suffered an impairment of value that is considered other than temporary. If investments are determined to be impaired, a loss is recognized at the date of determination.

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

The amortized cost of debt securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage-backed securities, over the estimated life of the security. Such amortization is included in interest income from investments. Realized gains and losses, and credit declines in value judged to be other-than-temporary are included in other income. The cost of securities sold is based on the specific identification method.

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

**Income Taxes**

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

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

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

**Revenue Recognition**

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable. For the large majority of the Company's sales, these criteria are met once product has shipped and title and risk of loss have transferred to the customer. The Company recognizes revenue from the sale of hardware products and software bundled with hardware that is essential to the functionality of the hardware in accordance with general revenue recognition accounting guidance. The Company recognizes revenue in accordance with industry specific software accounting guidance for standalone sales of software products and sales of software bundled with hardware not essential to the functionality of the hardware. The Company generally does not offer specified or unspecified upgrade rights to its customers in connection with software sales.

For multiple-element arrangements that include tangible products that contain software essential to the tangible product's functionality and undelivered software elements that relate to the tangible product's essential software, the Company allocates revenue to all deliverables based on their relative selling prices. In such circumstances, the accounting principles establish a hierarchy to determine the selling price to be used for allocating revenue to deliverables as follows: (i) vendor-specific objective evidence of fair value (VSOE), (ii) third-party evidence of selling price (TPE), and (iii) best estimate of the selling price (ESP). VSOE generally exists only when the Company sells the deliverable separately, on more than a limited basis, at prices within a relatively narrow range. In addition to the products listed below, the Company has offered certain other products including mobile applications, in-dash navigation solutions, incremental navigation and/or communication service subscriptions, aviation subscriptions and extended warranties that involve multiple-element arrangements that are individually immaterial.

The Company offers PNDs with lifetime map updates (LMUs) bundled in the original purchase price. LMUs enable customers to download the latest map and point of interest information for the useful life of their PND. In addition, the Company offers PNDs with traffic service bundled in the original purchase price. The Company has identified multiple deliverables contained in arrangements involving the sale of PNDs which include the LMU and/or traffic service. The first deliverable is the hardware along with the software essential to the functionality of the hardware device delivered at the time of sale. The remaining deliverables are the LMU and/or traffic service. The Company has allocated revenue between these deliverables using the relative selling price method. Amounts allocated to the delivered hardware and the related essential software are recognized at the time of sale provided the other conditions for revenue recognition have been met. The revenue and associated cost of royalties allocated to the LMU and/or the traffic service are deferred and recognized on a straight-line basis over the estimated life of the products.

The Company has determined sufficient VSOE does not exist for LMU or traffic, and that third party evidence of selling price is not available as stand-alone and unbundled unit sales do not occur on more than a limited basis. Therefore, the Company uses the royalty cost plus a normal margin as the primary indicator to calculate relative selling prices of the LMU and traffic elements.

For multiple-element software arrangements that do not include a tangible product, the Company allocates revenue to the various elements based on VSOE. When VSOE cannot be established for undelivered elements, all revenue is deferred until the earlier point at which all elements of the arrangement are delivered or sufficient VSOE does exist, unless the only undelivered element is post-contract customer support. If the only undelivered element is post-contract customer support, the entire arrangement consideration is recognized ratably over the support period. The Company offers navigation software licenses to certain customers, bundled with map updates to be provided periodically over the support period. The Company has determined sufficient VSOE of similar map updates does not exist for certain arrangements, and therefore revenue from these transactions is recognized ratably over the contractual map update period.

The Company records revenue net of sales tax, trade discounts and customer returns. The Company records estimated reductions to revenue for customer sales programs, returns and incentive offerings including rebates, price protection (product discounts offered to retailers to assist in clearing older products from their inventories in advance of new product releases), promotions and other volume-based incentives. The reductions to revenue are based on estimates and judgments using historical experience and expectation of future conditions. Changes in these estimates could negatively affect the Company's operating results. These incentives are reviewed periodically and, with the exceptions of price protection and certain other promotions, accrued for on a percentage of sales basis. If market conditions were to decline, the Company may take actions to increase customer incentive offerings, possibly resulting in an incremental reduction of revenue at the time the incentive is offered.

**Deferred Revenues and Costs**

At December 30, 2017 and December 31, 2016, the Company had deferred revenues totaling $303,521 and $286,971, respectively, and related deferred costs totaling $122,162 and $103,546, respectively.

The deferred revenues and costs are recognized over their estimated economic lives, typically one to five years, on a straight-line basis. In the next five years, the gross margin recognition of deferred revenue and cost for the currently deferred amounts is estimated to be $91,370, $48,627, $25,340, $11,208, and $4,814, respectively.

**Shipping and Handling Costs**

Shipping and handling costs are included in cost of goods sold in the accompanying consolidated financial statements.

**Product Warranty**

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

| | Fiscal Year Ended | | |
|---|---|---|---|
| | December 30, 2017 | December 31, 2016 | December 26, 2015 |
| Balance - beginning of period | $37,233 | $ 30,449 | $ 27,609 |
| Accrual for products sold[1] | 56,360 | 61,578 | 44,620 |

| | | | |
|---|---|---|---|
| Expenditures | (56,766) | (54,794) | (41,780) |
| Balance - end of period | $36,827 | $ 37,233 | $ 30,449 |

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

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**Sales Programs**

The Company provides certain monthly and quarterly incentives for its dealers and distributors based on various factors including dealer purchasing volume and growth. Additionally, from time to time, the Company provides rebates to end users on certain products. Estimated rebates and incentives payable to dealers and distributors are regularly reviewed and recorded as accrued expenses on a monthly basis. In addition, the Company provides dealers and distributors with product discounts to assist these customers in clearing older products from their inventories in advance of new product releases. Each discount is tied to a specific product and can be applied to all customers who have purchased the product, or a special discount may be agreed to on an individual customer basis. These rebates, incentives, and discounts are recorded as reductions to net sales in the accompanying consolidated statements of income in the period the Company has sold the product.

**Advertising Costs**

The Company expenses advertising costs as incurred. Advertising expense amounted to approximately $164,693, $177,143, and $167,166 for the years ended December 30, 2017, December 31, 2016, and December 26, 2015, respectively.

**Research and Development**

A majority of the Company's research and development is performed in the United States. Research and development costs, which are expensed as incurred, amounted to approximately $511,634, $467,960, and $427,043 for the years ended December 30, 2017, December 31, 2016, and December 26, 2015, respectively.

**Customer Service and Technical Support**

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

**Software Development Costs**

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

**Accounting for Stock-Based Compensation**

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

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

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

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"), which is intended to simplify the accounting for share-based payment awards. The Company adopted ASU 2016-09 on a prospective basis during the quarter ended April 1, 2017. ASU 2016-09 requires excess tax benefits or deficiencies from stock-based compensation to be recognized in the income tax provision. We previously recorded these amounts to additional paid-in capital. Additionally, under ASU 2016-09, excess tax benefits and deficiencies are not estimated in the effective tax rate, rather, are recorded as discrete tax items in the period they occur. Excess income tax benefits from stock-based compensation arrangements are classified as a cash flow from operations under ASU 2016-09, rather than as a cash flow from financing activities. The most significant impact of ASU 2016-09 during the fiscal year ending December 30, 2017 was the recognition of income tax expense of $22,620 resulting from stock options and stock appreciation rights expiring unexercised in the second and fourth quarters.

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

**Recently Issued Accounting Pronouncements**

*Revenue from Contracts with Customers*

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which supersedes previous revenue recognition guidance. The FASB has issued several standards amending or relating to ASU 2014-09 (collectively, the "new revenue standard"). The effective date of ASU 2014-09 is for fiscal years, and interim periods within those years, beginning on or after December 15, 2017. The Company has adopted the new revenue standard in the first quarter of the Company's fiscal year ending December 29, 2018 using the full retrospective method, which will require the Company to restate each prior reporting period presented in future financial statement issuances.

The Company has evaluated Topic 606, and has assessed existing and historical contracts to identify possible differences in the timing of revenue recognition under the new revenue standard. During this evaluation, both senior management and the Audit Committee have been updated as to progress and findings on a frequent basis. Based on our evaluation of the new revenue standard, our recognition will be consistent with our historical accounting policies except for certain arrangements within the Company's auto segment.

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

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

The changes in accounting policy described above collectively result in reductions to deferred costs (asset) and deferred revenue (liability) balances, and accelerate the recognition of revenues and deferred costs in the auto segment going forward. Summarized financial information depicting the impact of the new revenue standard follows:

| | 52-Weeks Ended December 30, 2017 | | | 53-Weeks Ended December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | As reported | Restated[(1)] | Impact | As reported | Restated[(1)] | Impact |
| Net sales | $3,087,004 | $3,121,560 | $34,556 | $3,018,665 | $3,045,796 | $27,131 |
| Gross profit | 1,783,164 | 1,797,941 | 14,777 | 1,679,570 | 1,688,525 | 8,955 |
| Operating income | 668,860 | 683,637 | 14,777 | 623,909 | 632,864 | 8,955 |
| Income tax (benefit) provision | (12,661 ) | (7,902 ) | 4,759 | 118,856 | 122,890 | 4,034 |
| Net income | $694,955 | $704,973 | $10,018 | $510,814 | $515,735 | $4,921 |
| Diluted net income per share | $3.68 | $3.74 | $0.06 | $2.70 | $2.72 | $0.02 |

| | December 30, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | As reported | Restated[(1)] | Impact | As reported | Restated[(1)] | Impact |
| Current assets: | | | | | | |
| Deferred costs | $48,312 | $30,525 | $(17,787) | $47,395 | $34,665 | $(12,730) |
| Total current assets | 2,363,925 | 2,346,139 | (17,786) | 2,263,016 | 2,250,286 | (12,731) |
| Noncurrent deferred income tax | 199,343 | 189,959 | (9,384 ) | 110,293 | 105,668 | (4,625 ) |
| Noncurrent deferred costs | 73,851 | 33,029 | (40,822) | 56,151 | 30,934 | (25,217) |
| Total assets | $5,010,260 | $4,942,268 | $(67,991) | $4,525,133 | $4,482,560 | $(42,573) |
| Current liabilities: | | | | | | |
| Deferred revenue | 139,681 | 103,140 | (36,542) | 146,564 | 118,496 | (28,068) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total current liabilities | 828,656 | 792,115 | (36,541) | 782,735 | 754,667 | (28,068) |
| Deferred income taxes | 75,215 | 76,612 | 1,396 | 61,220 | 62,617 | 1,397 |
| Non-current deferred revenue | 163,840 | 87,061 | (76,779) | 140,407 | 91,238 | (49,169) |
| Retained earnings | 2,368,874 | 2,412,423 | 43,549 | 2,056,702 | 2,090,233 | 33,531 |
| Accumulated other comprehensive income | 56,045 | 56,428 | 382 | (36,761) | (37,024) | (263) |
| Total stockholders' equity | 3,802,466 | 3,846,397 | 43,931 | 3,418,003 | 3,451,271 | 33,268 |
| Total liabilities and stockholders' equity | $5,010,260 | $4,942,267 | $(67,992) | $4,525,133 | $4,482,561 | $(42,572) |

(1) Effective for the fiscal year ending December 29, 2018, we have adopted ASC Topic 606. The balances above are restated under ASC Topic 606.

The Company’s historical net cash flows provided by or used in operating, investing, and financing activities are not impacted by adoption of the new revenue standard.

*Financial Instruments – Recognition, Measurement, Presentation, and Disclosure*

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”). The standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company will adopt the new standard effective in the first quarter of fiscal year 2018, and it is not expected to have a material impact on the Company’s financial position or results of operations.

*Leases*

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842) (“ASU 2016-02”), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet. Lessor accounting is substantially unchanged compared to the current accounting guidance. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of adopting the new standard on its consolidated financial statements.

*Statement of Cash Flows*

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”), which adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. The standard addresses eight specific cash flow issues with the objective of reducing diversity in practice. ASU 2016-15 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company will adopt the new standard effective in the first quarter of fiscal year 2018, and it is not expected to have a material impact on the Company’s financial position of results of operations.

*Income Taxes*

In October 2016, the FASB issued Accounting Standards Update No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory (“ASU 2016-16”), which requires recognition of the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU 2016-16 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company will adopt the new standard effective in the first quarter of fiscal year 2018, and it is not expected to have a material impact on the Company's financial position or results of operations.

*Receivables – Nonrefundable Fees and Other Costs*

In March 2017, the FASB issued Accounting Standards Update No. 2017-08, Receivables – Nonrefundable Fees and Other Costs (Topic 310-20): Premium Amortization on Purchased Callable Debt Securities ("ASU 2017-08"), which shortens the amortization period for certain callable debt securities held at a premium, requiring the premium to be amortized to the earliest call date. Callable debt securities held at a discount continue to be amortized to maturity. ASU 2017-08 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact of adopting the new standard on its consolidated financial statements.

*Income Statement – Reporting Comprehensive Income*

In February 2018, the FASB issued Accounting Standards Update No. 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("ASU 2018-02"), which allows for stranded tax effects in accumulated other comprehensive income resulting from the U.S. Tax Cuts and Jobs Act to be reclassified to retained earnings. ASU 2018-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of adopting the new standard and expects to early adopt the new standard effective in the first quarter of fiscal year 2018. The Company does not expect the new standard to have a material impact on the Company's financial position or results of operations.

**3. Marketable Securities**

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

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

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

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

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

| | Fair Value Measurements as of December 30, 2017 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| U.S. Treasury securities | $19,337 | $ - | $19,337 | $ - |
| Agency securities | 43,361 | - | 43,361 | - |

| | | | | |
|---|---|---|---|---|
| Mortgage-backed securities | 174,615 | - | 174,615 | - |
| Corporate securities | 816,793 | - | 816,793 | - |
| Municipal securities | 186,105 | - | 186,105 | - |
| Other | 181,509 | - | 181,509 | - |
| Total | $1,421,720 | $ - | $1,421,720 | $ - |

| | Fair Value Measurements as of December 31, 2016 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| U.S. Treasury securities | $29,034 | $ - | $29,034 | $ - |
| Agency securities | 59,541 | - | 59,541 | - |
| Mortgage-backed securities | 230,823 | - | 230,823 | - |
| Corporate securities | 893,725 | - | 893,725 | - |
| Municipal securities | 176,168 | - | 176,168 | - |
| Other | 90,946 | - | 90,946 | - |
| Total | $1,480,237 | $ - | $1,480,237 | $ - |

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

Available-For-Sale Securities as of December 30, 2017

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| U.S. Treasury securities | $19,591 | $ - | $ (254 ) | $19,337 |
| Agency securities | 44,191 | 1 | (831 ) | 43,361 |
| Mortgage-backed securities | 180,470 | 13 | (5,868 ) | 174,615 |
| Corporate securities | 830,447 | 136 | (13,790 ) | 816,793 |
| Municipal securities | 187,999 | 110 | (2,004 ) | 186,105 |
| Other | 183,730 | 2 | (2,223 ) | 181,509 |
| Total | $1,446,428 | $ 262 | $ (24,970 ) | $1,421,720 |

Available-For-Sale Securities as of December 31, 2016

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| U.S. Treasury securities | $29,291 | $ 31 | $ (288 ) | $29,034 |
| Agency securities | 60,513 | 19 | (991 ) | 59,541 |
| Mortgage-backed securities | 236,354 | 41 | (5,572 ) | 230,823 |
| Corporate securities | 914,028 | 252 | (20,555 ) | 893,725 |
| Municipal securities | 178,804 | 224 | (2,859 ) | 176,169 |
| Other | 90,934 | 20 | (9 ) | 90,945 |
| Total | $1,509,924 | $ 587 | $ (30,274 ) | $1,480,237 |

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

The Company recognizes the credit component of other-than-temporary impairments of debt securities in "Other Income" and the noncredit component in "Other comprehensive income (loss)" for those securities that we do not intend to sell and for which it is not more likely than not that we will be required to sell before recovery. During 2017 and 2016, the Company did not record any material impairment charges on its outstanding securities.

The amortized cost and fair value of the securities at an unrealized loss position at December 30, 2017 were $1,348,777 and $1,323,807 respectively. Approximately 80% of securities in our portfolio were at an unrealized loss position at December 30, 2017. We have the ability to hold these securities until maturity or their value is recovered. We do not consider these unrealized losses to be other than temporary credit losses because there has been no material deterioration in credit quality and no change in the cash flows of the underlying securities. We do not intend to sell the securities and it is not more likely than not that we will be required to sell the securities; therefore, no material impairment has been recorded in the accompanying condensed consolidated statement of income.

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

The following tables display additional information regarding gross unrealized losses and fair value by major security type for available-for-sale securities in an unrealized loss position as of December 30, 2017 and December 31, 2016.

| | As of December 30, 2017 | | | |
|---|---|---|---|---|
| | Less than 12 Consecutive Months | | 12 Consecutive Months or Longer | |
| | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value |
| U.S. Treasury securities | $ (111 ) | $ 12,966 | $ (143 ) | $ 6,371 |
| Agency securities | (168 ) | 16,097 | (663 ) | 25,972 |
| Mortgage-backed securities | (503 ) | 19,628 | (5,365 ) | 153,835 |
| Corporate securities | (4,562 ) | 439,174 | (9,228 ) | 347,052 |
| Municipal securities | (1,027 ) | 125,819 | (977 ) | 38,167 |
| Other | (2,219 ) | 136,147 | (4 ) | 2,579 |
| Total | $ (8,590 ) | $ 749,831 | $ (16,380 ) | $ 573,976 |

| | As of December 31, 2016 | | | |
|---|---|---|---|---|
| | Less than 12 Consecutive Months | | 12 Consecutive Months or Longer | |
| | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value |
| U.S. Treasury securities | $ (288 ) | $ 24,260 | $ - | $ - |
| Agency securities | (991 ) | 49,255 | - | - |
| Mortgage-backed securities | (3,702 ) | 159,665 | (1,870 ) | 64,645 |
| Corporate securities | (18,856 ) | 765,712 | (1,699 ) | 40,910 |
| Municipal securities | (2,762 ) | 130,994 | (97 ) | 6,326 |
| Other | (3 ) | 4,058 | (6 ) | 6,919 |
| Total | $ (26,602 ) | $ 1,133,944 | $ (3,672 ) | $ 118,800 |

The amortized cost and fair value of marketable securities at December 30, 2017, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

| | Amortized Cost | Fair Value |
|---|---|---|
| Due in one year or less | $ 162,045 | $ 161,687 |
| Due after one year through five years | 1,108,172 | 1,089,840 |

| | | |
|---|---|---|
| Due after five years through ten years | 160,967 | 155,354 |
| Due after ten years | 15,244 | 14,839 |
| | $ 1,446,428 | $1,421,720 |

**4. Commitments and Contingencies**

**Commitments**

Rental expense related to office, equipment, warehouse space, and real estate amounted to $18,915, $19,657, and $18,104 for the years ended December 30, 2017, December 31, 2016, and December 26, 2015, respectively. The Company recognizes rental expense on a straight-line basis over the lease term.

Future minimum lease payments are as follows:

| Year | Amount |
|---|---|
| 2018 | $17,572 |
| 2019 | 14,179 |
| 2020 | 11,598 |
| 2021 | 9,478 |
| 2022 | 7,777 |
| Thereafter | 21,606 |
| Total | $82,210 |

Certain cash balances, primarily of GEL and GC, are held as collateral by banks securing payment of local value-added tax requirements.  The total amount of restricted cash balances were $271 and $113 at December 30, 2017 and December 31, 2016, respectively.

The Company is party to certain commitments, which include purchases of raw materials, advertising expenditures, and other indirect purchases in connection with conducting our business. The aggregate amount of purchase orders and other commitments open as of December 30, 2017 was approximately $313,385. We cannot determine the aggregate amount of such purchase orders that represent contractual obligations because purchase orders may represent authorizations to purchase rather than binding agreements. Our purchase orders are based on our current needs and are fulfilled by our suppliers, contract manufacturers, and logistics providers within short periods of time.

**Contingencies**

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

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

Management of the Company currently does not believe it is reasonably possible that the Company may have incurred a material loss, or a material loss in excess of recorded accruals, with respect to loss contingencies in the aggregate, for the fiscal year ended December 30, 2017. The results of legal proceedings, investigations and claims, however, cannot be predicted with certainty. An adverse resolution of one or more of such matters in excess of management's expectations could have a material adverse effect in the particular quarter or fiscal year in which a loss is recorded, but based on information currently known, the Company does not believe it is likely that losses from such matters would have a material adverse effect on the Company's business or its consolidated financial position, results of operations or cash flows.

On January 24, 2018, Garmin and Navico agreed on a global settlement of all pending litigation between them, pursuant to which it is expected that all related claims will be dismissed with prejudice or terminated, including those for which the Company had previously disclosed a reasonably possible loss. The settlement is not material to the Company's financial condition or results of operations. The parties have agreed to keep the terms of the settlement confidential. The Company also settled or resolved certain other matters during the fiscal year ended December 30, 2017 that did not individually or in the aggregate have a material impact on the Company's business or its consolidated financial position, results of operations or cash flows.

**5. Employee Benefit Plans**

GII and the Company's other U.S.-based subsidiaries sponsor a defined contribution employee retirement plan under which their employees may contribute up to 50% of their annual compensation subject to Internal Revenue Code maximum limitations and to which the subsidiaries contribute a specified percentage of each participant's annual compensation up to certain limits as defined in the retirement plan. Additionally, GEL has a defined contribution plan under which its employees may contribute up to 7.5% of their annual compensation. During the years ended December 30, 2017, December 31, 2016, and December 26, 2015, expense related to these and other defined contribution plans of $43,826, $40,844, and $37,489, respectively, was charged to operations.

Certain of the Company's foreign subsidiaries participate in local defined benefit pension plans. Contributions are calculated by formulas that consider final pensionable salaries. Neither obligations nor contributions for the years ended December 30, 2017, December 31, 2016, and December 26, 2015 were significant.

**6. Income Taxes**

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

| | Fiscal Year Ended December 30, 2017 | December 31, 2016 | December 26, 2015 |
|---|---|---|---|
| Federal: | | | |
| Current | $31,343 | $ 66,627 | $ 49,138 |
| Deferred | 50,936 | 5,343 | 4,216 |
| | $82,279 | $ 71,970 | $ 53,354 |
| State: | | | |
| Current | 4,203 | 8,809 | 9,354 |
| Deferred | 11,712 | (3,823) | (5,858) |
| | $15,915 | $ 4,986 | $ 3,496 |
| Foreign: | | | |
| Current | 43,688 | 42,406 | 55,730 |
| Deferred | (154,543) | (506) | (1,620) |
| | $(110,855) | $ 41,900 | $ 54,110 |
| Total | $(12,661) | $ 118,856 | $ 110,960 |

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

| | Fiscal Year Ended December 30, 2017 | December 31, 2016 | December 26, 2015 |
|---|---|---|---|
| Federal income tax expense at U.S. statutory rate | $238,803 | $ 220,385 | $ 198,516 |
| State income tax expense, net of federal tax effect | 5,977 | 2,749 | 1,931 |
| Foreign tax rate differential | (102,316) | (111,989) | (100,010) |
| Other foreign taxes less incentives and credits | (4,646) | (16,593) | (8,592) |
| Withholding Tax | 14,632 | 17,447 | 16,969 |
| Net Change in Uncertain Tax Positions | 5,363 | 17,328 | 21,246 |
| Federal Domestic Production Activities Deduction | (3,895) | (5,528) | (4,589) |
| Federal Research and Development Credit | (10,851) | (8,548) | (8,573) |
| Switzerland Corporate Tax Election | (180,034) | - | - |
| Share Based Compensation | 19,916 | - | - |

| | | | |
|---|---|---|---|
| Other, net | 4,390 | 3,605 | (5,938 ) |
| Income tax expense | $(12,661 ) | $ 118,856 | $ 110,960 |

In the year ended December 30, 2017, the Company recorded an income tax benefit of $180,034 as a result of the Company's February 2017 election to align certain Switzerland corporate tax positions with evolving international tax initiatives.

The Company's statutory federal income tax rate in Switzerland, the Company's place of incorporation since the Redomestication, effective June 27, 2010, is 7.83%. If the Company reconciled taxes at the Swiss holding company federal statutory tax rate to the reported income tax for 2017 as presented above, the amounts related to tax at the statutory rate would be approximately $186,000 lower, or $53,600, and the foreign tax rate differential would be adjusted by a similar amount to approximately $77,000. For 2016, the amounts related to tax at the statutory rate would be approximately $171,000 lower, or $49,000, and the foreign tax rate differential would be adjusted by a similar amount to approximately $55,000. For 2015, the amount related to tax at the statutory rate would be approximately $154,000 lower, or $44,000, and the foreign tax differential would be reduced by a similar amount to approximately $52,000. All other amounts would remain substantially unchanged.

The Company’s income before income taxes attributable to non-U.S. operations was $461,436, $453,729, and $403,242, for the years ended December 30, 2017, December 31, 2016, and December 26, 2015, respectively.

Income taxes of $20,287, $22,139, and $21,085 at December 30, 2017, December 31, 2016, and December 26, 2015, respectively, have not been accrued by the Company for the unremitted earnings of several of its foreign subsidiaries because such earnings are intended to be reinvested in the subsidiaries indefinitely.

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

| | December 30, 2017 | December 31, 2016 |
|---|---|---|
| Deferred tax assets: | | |
| Product warranty accruals | $ 2,202 | $ 2,768 |
| Allowance for doubtful accounts | 5,129 | 10,100 |
| Inventory reserves | 6,920 | 8,953 |
| Sales program allowances | 910 | 1,397 |
| Reserve for sales returns | 816 | 2,196 |
| Other accruals | 10,722 | 13,548 |
| Share based compensation | 6,261 | 29,632 |
| Tax credit carryforwards | 8,413 | 5,012 |
| Amortization | 165,162 | 15,368 |
| Deferred Revenue | 4,690 | 32,487 |
| Net operating losses of subsidiaries | 8,799 | 5,403 |
| Benefit related to uncertain tax positions | 5,383 | 7,542 |
| Other | 3,677 | 4,005 |
| Valuation allowance related to loss carryforward and tax credits | (7,267) | (4,622) |
| | $ 221,817 | $ 133,789 |
| Deferred tax liabilities: | | |
| Depreciation | 11,674 | 17,854 |
| Prepaid Expenses | 3,147 | 2,876 |
| Book basis in excess of tax basis for acquired entities | 17,364 | 3,865 |
| Withholding tax | 60,555 | 58,597 |
| Other | 4,950 | 1,523 |
| | 97,690 | 84,715 |
| Net deferred tax assets | $ 124,127 | $ 49,074 |

At December 30, 2017, the Company had $8,413 of tax credit carryover compared to $5,012 at December 31, 2016.

At December 30, 2017, the Company had a deferred tax asset of $8,799 related to the future tax benefit on net operating loss (NOL) carryforwards of $70,419. Included in the NOL carryforwards is $43,210 that relates to Switzerland and expires in varying amounts between 2023 and 2024, $1,757 that relates to Finland and expires in varying amounts between 2025 and 2027, $10,610 that relates to the United States and various state jurisdictions and expires in varying amounts between 2022 and 2037, $5,234 that relates to the Netherlands and expires in 2026 and $9,608 that relates to various other jurisdictions and has no expiration date. The Company has recorded a valuation allowance for a portion of its deferred tax asset relating to various tax attributes that it does not believe are more likely than not to be realized. In the future, if the Company determines, based on existence of sufficient evidence, that it should realize more or less of its deferred tax assets, an adjustment to the valuation allowance will be made in the period such a determination is made.

On December 22, 2017, the Tax Cuts and Jobs Act was enacted into law in the United States. The new tax legislation contains several provisions that will impact the Company, including the reduction of the corporate income tax rate from 35% to 21%, acceleration of business asset expensing, and a reduction in the amount of executive pay that may qualify as a tax deduction, among others. The decrease in the corporate income tax rate will require the Company to remeasure its U.S. deferred tax assets and liabilities, as well as reassess the realizability of its deferred tax assets and liabilities. FASB ASC 740 requires the recognition of the effects of tax law changes in the period of enactment. However, due to the complexities of the new tax legislation, the SEC has issued SAB 118 which allows for the recognition of provisional amounts during a measurement period similar to the measurement period used when accounting for business combinations. The Company has recorded a provisional re-measurement of its deferred tax assets and liabilities, resulting in an immaterial impact on its 2017 income tax provision. The Company will continue to assess the impact of the new tax legislation, as well as any related future regulations and rules, and will record any additional impacts as identified during the measurement period, if necessary. The Company does not expect any such potential adjustments in the future periods will materially impact the Company's financial condition or result of operations.

The total amount of gross unrecognized tax benefits as of December 30, 2017 was $130,798. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits for years ended December 30, 2017, December 31, 2016, and December 26, 2015 is as follows:

| | December 30, 2017 | December 31, 2016 | December 26, 2015 |
|---|---|---|---|
| Balance beginning of year | $ 115,090 | $ 97,904 | $ 77,495 |
| Additions based on tax positions related to prior years | 8,564 | 489 | 89 |
| Reductions based on tax positions related to prior years | (983) | (940) | (1,671) |
| Additions based on tax positions related to current period | 26,295 | 28,859 | 29,019 |
| Reductions related to settlements with tax authorities | - | (134) | (364) |
| Expiration of statute of limitations | (18,168) | (11,088) | (6,664) |
| Balance at end of year | $ 130,798 | $ 115,090 | $ 97,904 |

Accounting guidance requires unrecognized tax benefits to be classified as noncurrent liabilities, except for the portion that is expected to be paid within one year of the balance sheet date. The entire balance of net unrecognized benefits of $127,306, $109,667 and $93,654 are required to be classified as noncurrent at December 30, 2017, December 31, 2016, and December 26, 2015, respectively. The net unrecognized tax benefits, if recognized, would reduce the effective tax rate. None of the unrecognized tax benefits are due to uncertainty in the timing of deductibility.

Interest and penalties, if any, accrued on the unrecognized tax benefits are reflected in income tax expense. At December 30, 2017, December 31, 2016, and December 26, 2015, the Company had accrued approximately $5,605, $3,901, and $2,479, respectively, for interest. The interest component of the reserve increased income tax expense for the years ending December 30, 2017, December 31, 2016, and December 26, 2015, by $1,704, $1,422, and $320 respectively. The Company did not have significant amounts accrued for penalties for the years ending December 30, 2017, December 31, 2016, and December 26, 2015.

The Company files income tax returns in Switzerland, U.S. federal jurisdiction, as well as various states, local, and foreign jurisdictions. In its major tax jurisdictions, Switzerland, Taiwan, United Kingdom, and U.S. federal and various states, the Company is no longer subject to income tax examinations by tax authorities, with few exceptions, for years prior to 2013, 2012, 2015, and 2014, respectively.

The Company recognized a reduction of income tax expense of $17,918, $11,151, and $6,971 in fiscal years ended December 30, 2017, December 31, 2016, and December 26, 2015, respectively, to reflect the expiration of statutes of limitations and releases due to audit settlement in various jurisdictions.

The Company believes that it is reasonably possible that approximately $20,000 to $25,000 of its reserves for certain unrecognized tax benefits will decrease within the next 12 months as the result of the expiration of statutes of limitations. This potential decrease in unrecognized tax benefits would impact the Company's effective tax rate within the next 12 months.

**7. Fair Value of Financial Instruments**

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

| | December 30, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Cash and cash equivalents | $891,488 | $891,488 | $846,883 | $846,883 |
| Restricted cash | $271 | $271 | $113 | $113 |
| Marketable securities | $1,421,720 | $1,421,720 | $1,480,237 | $1,480,237 |

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

**8. Segment Information**

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

All of the Company's reportable segments offer products through the Company's network of independent dealers and distributors as well as through OEMs. However, the nature of products and types of customers for the five reportable segments vary. The Company's marine, auto, outdoor, and fitness segments include portable global positioning system (GPS) receivers and accessories sold primarily to retail outlets. These products are produced primarily by the Company's subsidiary in Taiwan. The Company's aviation products are portable and panel mount avionics for Visual Flight Rules and Instrument Flight Rules navigation and are sold primarily to aviation dealers and certain aircraft manufacturers.

The Company's Chief Executive Officer has been identified as the CODM. The CODM uses operating income as the measure of profit or loss to assess segment performance and allocate resources. Operating income represents net sales less costs of goods sold and operating expenses, including certain allocated general and administrative costs. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. There are no inter-segment sales or transfers.

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

Revenues, gross profit, and operating income for each of the Company's reportable segments are presented below. In 2016 the Company moved action camera related revenue and expenses from the outdoor segment to the auto segment, allowing for alignment and synergies with other camera-based efforts occurring within the auto segment. The overall impact of the move was immaterial. However, action camera related operating results for the 52-weeks ended December 26, 2015 has been recast to conform to the 2017 and 2016 presentation.

| | Reportable Segments | | | | | |
|---|---|---|---|---|---|---|
| 52-Weeks Ended December 30, 2017 | Outdoor | Fitness | Marine | Auto | Aviation | Total |
| Net sales | $698,867 | $762,194 | $374,001 | $750,583 | $501,359 | $3,087,004 |
| Gross profit | 448,410 | 422,636 | 212,592 | 327,921 | 371,605 | 1,783,164 |
| Operating income | 249,867 | 146,765 | 50,328 | 67,967 | 153,933 | 668,860 |
| 53-Weeks Ended December 31, 2016 | | | | | | |
| Net sales | $546,326 | $818,486 | $331,947 | $882,558 | $439,348 | $3,018,665 |
| Gross profit | 340,504 | 437,205 | 183,709 | 388,747 | 329,405 | 1,679,570 |
| Operating income | 184,035 | 160,596 | 52,167 | 102,347 | 124,764 | 623,909 |
| 52-Weeks Ended December 26, 2015 | | | | | | |
| Net sales | $411,184 | $661,599 | $286,778 | $1,062,091 | $398,618 | $2,820,270 |
| Gross profit | 254,878 | 366,139 | 158,493 | 464,480 | 294,714 | 1,538,704 |
| Operating income | 139,070 | 134,574 | 28,611 | 136,069 | 111,257 | 549,581 |

Net sales, long-lived assets (property and equipment), and net assets by geographic area are as shown below for the years ended December 30, 2017, December 31, 2016, and December 26, 2015. Note that APAC refers to the Asia Pacific region, and EMEA includes Europe, the Middle East and Africa.

| | Americas | APAC | EMEA | Total |
|---|---|---|---|---|
| December 30, 2017 | | | | |
| Net sales to external customers (1) | $1,475,661 | $436,188 | $1,175,155 | $3,087,004 |
| Property and equipment, net | 381,974 | 173,392 | 40,318 | 595,684 |
| Net assets (2) | 2,325,569 | 982,898 | 493,999 | 3,802,466 |
| December 31, 2016 | | | | |
| Net sales to external customers (1) | $1,518,934 | $386,549 | $1,113,182 | $3,018,665 |
| Property and equipment, net | 300,158 | 144,470 | 38,250 | 482,878 |
| Net assets (2) | 2,153,161 | 933,999 | 330,843 | 3,418,003 |

| | | | | |
|---|---|---|---|---|
| December 26, 2015 | | | | |
| Net sales to external customers [1] | $1,469,243 | $337,888 | $1,013,139 | $2,820,270 |
| Property and equipment, net | 294,234 | 111,700 | 40,154 | 446,089 |
| Net assets [2] | 2,110,108 | 921,410 | 313,608 | 3,345,126 |

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

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

**9. Stock Compensation Plans**

*Accounting for Stock-Based Compensation*

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

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

In June 2011, the stockholders adopted an equity incentive plan for non-employee directors (the "2011 Directors Plan") providing for grants of stock options, SARs, RSUs and/or performance shares, pursuant to which up to 122,592 shares were available for issuance. The term of each award cannot exceed ten years. Awards may vest over a minimum two-year period. In 2017, 2016, and 2015, 10,432, 12,984, and 12,008 RSUs were granted under this plan.

**2005 Equity Incentive Plan**

In June 2005, the shareholders adopted an equity incentive plan (the "2005 Plan") providing for grants of incentive and nonqualified stock options, SARs, RSUs and/or performance shares to employees of the Company and its subsidiaries, pursuant to which up to 10,000,000 common shares were available for issuance. In 2013, the shareholders approved an additional 3,000,000 shares to the plan, making the total shares authorized under the plan 13,000,000. Option and SAR grants vest evenly over a period of five years or as otherwise determined by the Board of Directors or the Compensation Committee and generally expire ten years from the date of grant, if not exercised. RSUs granted prior to December 10, 2012 vested evenly over a period of five years, while RSUs granted on and after that date vested or are vesting evenly over a period of three years. In addition to time-based vesting requirements, the vesting of certain RSU grants is also contingent upon the Company's achievement of certain financial performance goals. During 2017, 2016, and 2015, 1,044,045, 1,228,427, and 1,171,905 RSUs were granted under the 2005 Plan. No SARs were granted under the 2005 Plan in 2017, 2016, and 2015.

**2000 Equity Incentive Plan**

In October 2000, the shareholders adopted an equity incentive plan (the “2000 Plan”) providing for grants of incentive and nonqualified stock options, SARs, RSUs and/or performance shares to employees of the Company and its subsidiaries, pursuant to which up to 7,000,000 common shares were available for issuance. The stock options and SARs vest evenly over a period of five years or as otherwise determined by the Board of Directors or the Compensation Committee and generally expire ten years from the date of grant, if not exercised. The Company did not grant any stock awards from the 2000 Plan in 2017, 2016, or 2015.

**2000 Non-employee Directors’ Option Plan**

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

*Stock-Based Compensation Activity*

A summary of the Company’s stock-based compensation activity and related information under the 2011 Directors Plan, the 2005 Plan, the 2000 Plan and the 2000 Directors Plan for the years ended December 30, 2017, December 31, 2016, and December 26, 2015 is provided below:

| | Stock Options and SARs Weighted-Average Exercise Price | Number of Shares (In Thousands) |
|---|---|---|
| Outstanding at December 27, 2014 | $ 63.19 | 4,731 |
| Granted | | - |
| Exercised | $ 29.15 | (474) |
| Forfeited/Expired | $ 70.58 | (196) |
| Outstanding at December 26, 2015 | $ 66.80 | 4,061 |
| Granted | | - |
| Exercised | $ 50.77 | (716) |
| Forfeited/Expired | $ 51.12 | (608) |
| Outstanding at December 31, 2016 | $ 74.48 | 2,737 |
| Granted | | - |
| Exercised | $ 50.15 | (397) |
| Forfeited/Expired | $ 84.57 | (1,948) |
| Outstanding at December 30, 2017 | $ 48.94 | 392 |
| Exercisable at December 30, 2017 | $ 48.76 | 365 |
| Expected to vest after December 30, 2017 | $ 51.46 | 27 |

Stock Options and SARs as of December 30, 2017

| Exercise Price | Awards Outstanding (In Thousands) | Remaining Life (Years) | Awards Exercisable (In Thousands) |
|---|---|---|---|
| $18.00 - $40.00 | 21 | 1.98 | 21 |
| $40.01 - $60.00 | 369 | 2.39 | 343 |
| $60.01 - $80.00 | - | - | - |
| $80.01 - $100.00 | 2 | 0.01 | 2 |
| $100.01 - $120.00 | - | - | - |
| $120.01 - $140.00 | - | - | - |
| | 392 | 2.36 | 366 |

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| | Restricted Stock Units Weighted-Average Grant Date Fair Value | Number of Shares (In Thousands) |
|---|---|---|
| Outstanding at December 27, 2014 | $ 42.55 | 1,088 |
| Granted | $ 37.07 | 1,184 |
| Released/Vested | $ 40.18 | (562) |
| Cancelled | $ 42.02 | (53) |
| Outstanding at December 26, 2015 | $ 39.45 | 1,657 |
| Granted | $ 40.59 | 1,241 |
| Released/Vested | $ 38.96 | (565) |
| Cancelled | $ 44.57 | (509) |
| Outstanding at December 31, 2016 | $ 38.94 | 1,824 |
| Granted | $ 51.71 | 1,055 |
| Released/Vested | $ 39.31 | (763) |
| Cancelled | $ 40.40 | (54) |
| Outstanding at December 30, 2017 | $ 45.30 | 2,062 |

The weighted-average remaining contract life for stock options and SARs outstanding and exercisable at December 30, 2017 was 2.36 and 2.05 years, respectively. The weighted-average remaining contract life of restricted stock units at December 30, 2017 was 1.29 years.

The total fair value of awards vested during 2017, 2016, and 2015 was $30,280, $22,429, and $23,351, respectively. The aggregate intrinsic values of options and SARs outstanding and exercisable at December 30, 2017 were $4,209 and $3,994, respectively. The aggregate intrinsic values of options and SARs exercised during 2017, 2016, and 2015 were $3,742, $1,632, and $3,714, respectively. The aggregate intrinsic value of RSUs outstanding at December 30, 2017 was $122,885. The aggregate intrinsic values of RSUs released during 2017, 2016, and 2015 were $45,424, $27,386, and $20,787, respectively. Aggregate intrinsic value of options and SARs represents the applicable number of awards multiplied by the positive difference between the exercise price and the Company’s closing stock price on the last trading day of the relevant fiscal period. Aggregate intrinsic value of RSUs represents the applicable number of awards multiplied by the Company’s closing stock price on the last trading day of the relevant fiscal period. The Company’s closing stock price was $59.57 on December 30, 2017. As of December 30, 2017, there was $65,166 of total unrecognized compensation cost related to unvested share-based compensation awards granted to employees under the stock compensation plans. That cost is expected to be recognized over the weighted average remaining vesting period.

**Employee Stock Purchase Plan**

The shareholders have adopted an ESPP. Up to 6,000,000 shares of common stock have been reserved for the ESPP, including 2,000,000 shares approved by shareholders in June 2015. Shares will be offered to employees at a price equal to the lesser of 85% of the fair market value of the stock on the date of purchase or 85% of the fair market value on the first day of the ESPP period. The ESPP is intended to qualify as an “employee stock purchase plan” under Section 423 of the Internal Revenue Code. During 2017, 2016, and 2015, 489,267, 541,018, 488,753 shares, respectively, were purchased under the plan for a total purchase price of $20,996, $18,157, and $16,789, respectively. During 2017, 2016, and 2015, the purchases were issued from treasury shares. At December 30, 2017, approximately 970,366 shares were available for future issuance.

**10. Earnings Per Share**

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

| | Fiscal Year Ended December 30, 2017 | December 31, 2016 | December 26, 2015 |
|---|---|---|---|
| Numerator: | | | |
| Numerator for basic and diluted net income per share - net income | $694,955 | $ 510,814 | $ 456,227 |
| Denominator: | | | |
| Denominator for basic net income per share – weighted-average common shares | 187,828 | 188,818 | 190,631 |
| Effect of dilutive securities – employee stock options and stock appreciation rights | 904 | 525 | 476 |
| Denominator for diluted net income per share – adjusted weighted-average common shares | 188,732 | 189,343 | 191,107 |
| Basic net income per share | $3.70 | $ 2.71 | $ 2.39 |
| Diluted net income per share | $3.68 | $ 2.70 | $ 2.39 |

There were 1,175,728, 3,547,738, and 4,086,983 outstanding stock options, stock appreciation rights and restricted stock units (collectively “equity awards”) excluded from the computation of diluted earnings per share for the fiscal years of 2017, 2016, and 2015, respectively, because the effect would have been anti-dilutive.

**11. Share Repurchase Plan**

On February 13, 2015, the Board of Directors approved a share repurchase program authorizing the Company to purchase up to $300,000 of its common shares through December 31, 2016. In December 2016, the Board of Directors authorized an extension through December 31, 2017 to purchase remaining common shares.  Under the plan, the Company repurchased 1,474,092 shares using cash of $74,523 in fiscal 2017, 2,152,716 shares using cash of $93,233 in fiscal 2016, and 3,148,901 shares using cash of $131,413 in fiscal 2015.

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**12. Accumulated Other Comprehensive Income**

The following provides required disclosure of changes in accumulated other comprehensive income (AOCI) balances by component for the year ended December 30, 2017:

| | Foreign Currency Translation Adjustment | Net unrealized gains (losses) on available-for-sale securities | Total |
|---|---|---|---|
| Balance - beginning of period | $ (9,411) | $ (27,350) | $(36,761) |
| Other comprehensive income before reclassification | 88,320 | 3,585 | 91,905 |
| Amounts reclassified from accumulated other comprehensive income | - | 901 | 901 |
| Net current-period other comprehensive income | 88,320 | 4,486 | 92,806 |
| Balance - end of period | $ 78,909 | $ (22,864) | $56,045 |

The following provides required disclosure of reporting reclassifications out of AOCI for the year ended December 30, 2017:

| Details about Accumulated Other Comprehensive Income Components | Amount Reclassified from Accumulated Other Comprehensive Income | Affected Line Item in the Statement Where Net Income is Presented |
|---|---|---|
| Unrealized gains (losses) on available-for-sale securities | $ (991) | Other income (expense) |
| | 90 | Income tax provision |
| | $ (901) | Net of tax |

**13. Selected Quarterly Information (Unaudited)**

| | 52-Weeks Ended December 30, 2017 Quarter Ending | | | |
|---|---|---|---|---|
| | April 1 | July 1 | September 30 | December 30 |
| Net sales | $638,546 | $816,885 | $ 743,077 | $ 888,496 |

| | | | | |
|---|---|---|---|---|
| Gross profit | 372,123 | 477,858 | 433,665 | 499,518 |
| Net income | 237,812 | 170,950 | 147,413 | 138,780 |
| Basic net income per share | $1.26 | $0.91 | $ 0.79 | $ 0.74 |
| Diluted net income per share | $1.26 | $0.91 | $ 0.78 | $ 0.73 |

| | 53-Weeks Ended December 31, 2016 | | | |
|---|---|---|---|---|
| | Quarter Ending | | | |
| | March 26 | June 25 | September 24 | December 31 |
| Net sales | $624,040 | $811,609 | $ 722,250 | $ 860,767 |
| Gross profit | 339,850 | 462,958 | 405,980 | 470,782 |
| Net income | 88,092 | 161,064 | 125,054 | 136,605 |
| Basic net income per share | $0.46 | $0.85 | $ 0.66 | $ 0.73 |
| Diluted net income per share | $0.46 | $0.85 | $ 0.66 | $ 0.72 |

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

**14. Subsequent Events**

On February 19, 2018, the Company acquired the shares of Trigentic AB, a privately held supplier of intelligent products, solutions and services in the areas of embedded systems, power supply and power distribution for the marine market. This acquisition was not material.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

***(a) Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures***

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

***(b) Management's Report on Internal Control over Financial Reporting***

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company assessed the effectiveness of the Company's internal control over financial reporting as of December 30, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control-Integrated Framework" (2013 framework).

Based on such assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 30, 2017.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company’s consolidated financial statements, issued an attestation report on management’s effectiveness of the Company’s internal control over financial reporting as of December 30, 2017, as stated in their report which is included herein. That attestation report appears below.

***(c) Attestation Report of the Independent Registered Public Accounting Firm***

**Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Garmin Ltd. and Subsidiaries

**Opinion on Internal Control over Financial Reporting**

We have audited Garmin Ltd. and Subsidiaries' internal control over financial reporting as of December 30, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Garmin Ltd. and Subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 30, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Garmin Ltd. and Subsidiaries as of December 30, 2017 and December 31, 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 30, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "financial statements") of the Company and our report dated February 21, 2018 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Kansas City, Missouri

February 21, 2018

***(d) Changes in Internal Control over Financial Reporting***

There were no changes in our internal control over financial reporting during the quarter ended December 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

Not applicable.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

Garmin has incorporated by reference certain information in response or partial response to the Items under this Part III of this Annual Report on Form 10-K pursuant to General Instruction G(3) of this Form 10-K and Rule 12b-23 under the Exchange Act. Garmin's definitive proxy statement in connection with its annual meeting of shareholders scheduled for June 8, 2018 (the "Proxy Statement") will be filed with the Securities and Exchange Commission no later than 120 days after December 30, 2017.

**(a) Directors of the Company**

The information set forth in response to Item 401 of Regulation S-K under the headings "Proposal 6 – Re-election of five directors and election of one new director" in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 10.

**(b) Executive Officers of the Company**

The information set forth in response to Item 401 of Regulation S-K under the heading "Executive Officers of the Registrant" in Part I of this Form 10-K is incorporated herein by reference in partial response to this Item 10.

**(c) Compliance with Section 16(a) of the Exchange Act**

The information set forth in response to Item 405 of Regulation S-K under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 10.

(d) Audit Committee and Audit Committee Financial Expert

The information set forth in response to Item 402 of Regulation S-K under the heading “Board Meetings and Standing Committee Meetings - Audit Committee” in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 10.

The Audit Committee consists of Joseph J. Hartnett, Charles W. Peffer and Rebecca R. Tilden. Mr. Peffer serves as the Chairman of the Audit Committee. All members of the Audit Committee are “independent” within the meaning of the rules of the SEC and the Nasdaq Marketplace Rules. Garmin’s Board of Directors has determined that Mr. Hartnett and Mr. Peffer are “audit committee financial experts” as defined by the SEC regulations implementing Section 407 of the Sarbanes-Oxley Act of 2002.

(e) Code of Ethics

Garmin’s Board of Directors has adopted the Code of Conduct of Garmin Ltd. and Subsidiaries (the “Code”). The Code is applicable to all Garmin employees including the President and Chief Executive Officer, the Chief Financial Officer, the Controller and other officers. A copy of the Code is available on Garmin’s website at: http://www8.garmin.com/aboutGarmin/invRelations/documents/Code_of_Conduct_2016.pdf. If any amendments to the Code are made, or any waivers with respect to the Code are granted to the President and Chief Executive Officer, the Chief Financial Officer or Controller, or any person performing a similar function, such amendment or waiver will be disclosed on Garmin’s website at: http://www8.garmin.com/aboutGarmin/invRelations/documents/Code_of_Conduct_2016.pdf.

**Item 11. Executive Compensation**

The information set forth in response to Item 402 of Regulation S-K under the headings “Executive Compensation Matters” and “Proposal 6 - Re-election of five directors and election of one new director - Non-Management Director Compensation” in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 11.

The information set forth in response to Item 407(e)(4) of Regulation S-K under the heading “Proposal 6 -Re-election of five directors and election of one new director - Compensation Committee Interlocks and Insider Participation; Certain Relationships” in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 11.

The information set forth in response to Item 407(e)(5) of Regulation S-K under the heading “Executive Compensation Matters – Compensation Committee Report” in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 11.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information set forth in response to Item 403 of Regulation S-K under the heading “Stock Ownership of Certain Beneficial Owners and Management” in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 12.

**Equity Compensation Plan Information**

The following table gives information as of December 30, 2017 about the Garmin common shares that may be issued under all of the Company’s existing equity compensation plans, as adjusted for stock splits.

| | A | B | C<br>Number of securities remaining available for |
|---|---|---|---|

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | future issuance under equity compensation plans (excluding securities reflected in column A) |
|---|---|---|---|
| Equity compensation plans approved by shareholders | 2,454,078 | $ 48.94 | 7,048,314 |
| Equity compensation plans not approved by shareholders | — | — | — |
| Total | 2,454,078 | $ 48.94 | 7,048,314 |

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Table consists of the Garmin Ltd. 2005 Equity Incentive Plan (as Amended and Restated Effective June 5, 2010), the Garmin Ltd. 2000 Equity Incentive Plan, the Garmin Ltd. Amended and Restated 2000 Non-Employee Directors' Option Plan, effective June 5, 2010, the Garmin Ltd. Amended and Restated Employee Stock Purchase Plan, effective January 1, 2010 and the Garmin Ltd. 2011 Non-Employee Directors Equity Incentive Plan, effective June 3, 2011. The weighted-average exercise price does not reflect the shares that will be issued upon the payment of outstanding awards of RSUs.

The Company has no knowledge of any arrangement, the operation of which may at a subsequent date result in a change in control of the Company.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information set forth in response to Item 404 of Regulation S-K under the heading "Proposal 6 – Re-election of five directors and election of one new director - Compensation Committee Interlocks and Insider Participation; Certain Relationships" in the Proxy Statement is incorporated herein by reference in partial response to this Item 13.

The information set forth in response to Item 407(a) of Regulation S-K under the headings "Proposal 6 – Re-election of five directors and election of one new director" in the Proxy Statement is hereby incorporated herein by reference in partial response to this Item 13.

**Item 14. Principal Accounting Fees and Services**

The information set forth under the headings "Audit Matters — Independent Registered Public Accounting Firm Fees" and "Pre-Approval of Services Provided by the Independent Auditor" in the Proxy Statement is hereby incorporated by reference in response to this Item 14.

## PART IV

### Item 15. Exhibits, and Financial Statement Schedules

**(a) List of Documents filed as part of this Report**

(1) Consolidated Financial Statements

The consolidated financial statements and related notes, together with the reports of Ernst & Young LLP, appear in Part II, Item 8 "Financial Statements and Supplementary Data" of this Form 10-K.

(2) Schedule II Valuation and Qualifying Accounts

All other schedules have been omitted because they are not applicable, are insignificant or the required information is shown in the consolidated financial statements or notes thereto.

(3) Exhibits — The following exhibits are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K:

| EXHIBIT NUMBER | DESCRIPTION |
|---|---|
| 3.1 | Articles of Association of Garmin Ltd., as amended and restated on June 10, 2016 (incorporated by reference to Exhibit 3.1 of the Registrant's Quarterly Report on Form 10-Q filed on October 26, 2016). |
| 3.2 | Organizational Regulations of Garmin Ltd., as amended on February 14, 2014 (incorporated by reference to Exhibit 3.2 of the Registrant's Annual Report on Form 10-K filed on February 19, 2014). |
| 10.1 | Garmin Ltd. 2000 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Registration Statement on Form S-1 filed December 6, 2000 (Commission File No. 333-45514)). |
| 10.2 | Form of Stock Option Agreement pursuant to the Garmin Ltd. 2000 Equity Incentive Plan for Employees of Garmin International, Inc. (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on September 7, 2004). |

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|---|---|
| 10.3 | Form of Stock Option Agreement pursuant to the Garmin Ltd. 2000 Equity Incentive Plan for Employees of Garmin Corporation (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed on September 7, 2004). |
| 10.4 | Form of Stock Option Agreement pursuant to the Garmin Ltd. 2000 Equity Incentive Plan for UK-Approved Stock Options for Employees of Garmin (Europe) Ltd. (incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed on September 7, 2004). |
| 10.5 | Form of Stock Option Agreement pursuant to the Garmin Ltd. 2000 Equity Incentive Plan for Non UK-Approved Stock Options for Employees of Garmin (Europe) Ltd. (incorporated by reference to Exhibit 10.5 of the Registrant's Current Report on Form 8-K filed on September 7, 2004). |

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|---|---|
| 10.6 | Garmin Ltd. 2000 Non-Employee Directors' Option Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Registration Statement on Form S-1 filed December 6, 2000 (Commission File No. 333-45514)). |
| 10.7 | Form of Stock Option Agreement pursuant to the Garmin Ltd. Non-Employee Directors' Option Plan for Non-Employee Directors of Garmin Ltd. (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on September 7, 2004). |
| 10.8 | Garmin Ltd. Amended and Restated Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed August 9, 2006). |
| 10.9 | First Amendment to Garmin Ltd. Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.4 of the Registrant's Annual Report on Form 10-K filed on March 27, 2002). |
| 10.10 | Second Amendment to Garmin Ltd. Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed on August 13, 2003). |
| 10.11 | Garmin Ltd. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on June 7, 2005). |
| 10.12 | Form of Stock Option Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on June 7, 2005). |
| 10.13 | Form of Stock Appreciation Rights Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed on May 8, 2007). |
| 10.14 | Form of Stock Appreciation Rights Agreement pursuant to the Garmin Ltd.2000 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed on June 7, 2005). |
| 10.15 | Amended and Restated Garmin Ltd. Employee Stock Purchase Plan effective January 1, 2008 (incorporated by reference to Exhibit 10.15 of the Registrant's Annual Report on Form 10-K filed on February 26, 2008). |
| 10.16 | Form of Time Vested Restricted Stock Unit Award Agreement under the Garmin Ltd. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on December 17, 2008). |
| 10.17 | Form of Performance Shares Award Agreement under the Garmin Ltd. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on December 17, 2008). |
| 10.18 | Garmin Ltd. 2009 Cash Incentive Bonus Plan (incorporated by reference to Exhibit 10.18 of the Registrant's Annual Report on Form 10-K filed on February 25, 2009 |
| 10.19 | Amended and Restated Garmin Ltd. Employee Stock Purchase Plan, effective January 1, 2010 (incorporated by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K filed on February 24, 2010). |

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| 10.20 | Form of Time Vested Restricted Stock Unit Award Agreement under the Garmin Ltd. 2005 Equity Incentive Plan, as revised by the Registrant's Board of Directors on December 11, 2009 (incorporated by reference to Exhibit 10.23 of the Registrant's Annual Report on Form 10-K filed on February 24, 2010). |
| 10.21 | Form of Performance Shares Award Agreement under the Garmin Ltd. 2005 Equity Incentive Plan, as revised by the Registrant's Board of Directors on December 11, 2009 (incorporated by reference to Exhibit 10.24 of the Registrant's Annual Report on Form 10-K filed on February 24, 2010). |
| 10.22 | Garmin Ltd. 2005 Equity Incentive Plan (as Amended and Restated Effective June 5, 2009) (incorporated by reference to Schedule 1 of the Registrant's Proxy Statement on Schedule 14A filed on April 21, 2009). |
| 10.23 | Garmin Ltd. Amended and Restated 2000 Non-Employee Directors' Option Plan, Effective June 5, 2009 (incorporated by reference to Schedule 2 of the Registrant's Proxy Statement on Schedule 14A filed on April 21, 2009). |
| 10.24 | Garmin Ltd. Amended and Restated 2000 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on June 28, 2010). |
| 10.25 | Garmin Ltd. Amended and Restated 2000 Non-Employee Directors' Option Plan (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed on June 28, 2010). |
| 10.26 | Garmin Ltd. Amended and Restated Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed on June 28, 2010). |
| 10.27 | Garmin Ltd. Amended and Restated 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 of the Registrant's Current Report on Form 8-K filed on June 28, 2010). |
| 10.28 | Form of Stock Option Agreement pursuant to the Garmin Ltd. Amended and Restated 2000 Non-Employee Directors' Option Plan (incorporated by reference to Exhibit 10.6 of the Registrant's Current Report on Form 8-K filed on June 28, 2010). |
| 10.29 | Form of Performance Shares Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 of the Registrant's Current Report on Form 8-K filed on June 28, 2010). |
| 10.30 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for Swiss residents (incorporated by reference to Exhibit 10.8 of the Registrant's Current Report on Form 8-K filed on June 28, 2010). |
| 10.31 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for non-Swiss residents (incorporated by reference to Exhibit 10.9 of the Registrant's Current Report on Form 8-K filed on June 28, 2010). |

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|---|---|
| 10.32 | Transaction Agreement between Garmin Ltd., a Cayman Islands company, and the Registrant, dated as of May 21, 2010 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on June 28, 2010). |
| 10.33 | Form of Non-Qualified Stock Option Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, as amended and restated on June 27, 2010 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on December 29, 2011). |
| 10.34 | Garmin Ltd. 2011 Non-Employee Directors' Equity Incentive Plan (incorporated by reference to Schedule 1 of the Registrant's Definitive Proxy Statement on Form 14A filed on April 21, 2011). |
| 10.35 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2011 Non-Employee Directors' Equity Incentive Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on June 6, 2011). |
| 10.36 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for Swiss grantees (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on December 10, 2012). |
| 10.37 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for Canadian grantees (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on December 10, 2012). |
| 10.38 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for non-Swiss and non-Canadian grantees (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed on December 10, 2012). |
| 10.39 | Memorandum of Agreement dated March 14, 2013 between Garmin International, Inc. and Bombardier, Inc. (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed on May 8, 2013). |
| 10.40 | Amendment dated December 6, 2013 to Memorandum of Agreement between Garmin International, Inc. and Bombardier, Inc. (incorporated by reference to Exhibit 10.40 of the Registrant's Annual Report on Form 10-K filed on February 19, 2014). |
| 10.41 | Garmin Ltd. 2005 Equity Incentive Plan (as Amended and Restated Effective June 7, 2013) (incorporated by reference to Schedule 1 of the Registrant's Proxy Statement on Schedule 14A filed on April 22, 2013). |
| 10.42 | Director and Officer Indemnification Agreement dated August 4, 2014 between Garmin Ltd. and each of Douglas G. Boessen, Dr. Donald H. Eller, Andrew R. Etkind, Joseph J. Hartnett, Charles W. Peffer, Dr. Min H. Kao, Clifton A. Pemble and Thomas P. Poberezny (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on August 8, 2014). |
| 10.43 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to grantees who are executive officers (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on February 17, 2015). |

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|---|---|
| 10.44 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to grantees who are not executive officers (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on February 17, 2015). |
| 10.45 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2011 Non-Employee Directors' Equity Incentive Plan (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed on February 17, 2015). |
| 10.47 | Garmin Ltd. Employee Stock Purchase Plan, as amended and restated on June 5, 2015 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on June 8, 2015). |
| 10.48 | Garmin Ltd. Employee Stock Purchase Plan, as amended and restated on October 21, 2016 (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed on October 26, 2016). |
| 10.49 | Garmin Ltd. 2005 Equity Incentive Plan, as amended and restated on October 21, 2016 (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q filed on October 26, 2016). |
| 10.50 | Garmin Ltd. 2011 Non-Employee Directors' Equity Incentive Plan, as amended and restated on October 21, 2016 (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q filed on October 26, 2016). |
| 10.51 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2011 Non-Employee Directors' Equity Incentive Plan (incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q filed on October 26, 2016). |
| 10.52 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for Swiss grantees (incorporated by reference to Exhibit 10.5 of the Registrant's Quarterly Report on Form 10-Q filed on October 26, 2016). |
| 10.53 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for Canadian grantees (incorporated by reference to Exhibit 10.6 of the Registrant's Quarterly Report on Form 10-Q filed on October 26, 2016). |
| 10.54 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for non-Swiss and non-Canadian grantees (incorporated by reference to Exhibit 10.7 of the Registrant's Quarterly Report on Form 10-Q filed on October 26, 2016). |
| 10.55 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to Swiss grantees who are executive officers (incorporated by reference to Exhibit 10.8 of the Registrant's Quarterly Report on Form 10-Q filed on October 26, 2016). |
| 10.56 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to Swiss grantees who are not executive officers (incorporated by reference to Exhibit 10.9 of the Registrant's Quarterly Report on Form 10-Q filed on October 26, 2016). |

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| 10.57 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to Canadian grantees who are not executive officers (incorporated by reference to Exhibit 10.10 of the Registrant’s Quarterly Report on Form 10-Q filed on October 26, 2016). |
| 10.58 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to non-Swiss and non-Canadian grantees who are executive officers (incorporated by reference to Exhibit 10.11 of the Registrant’s Quarterly Report on Form 10-Q filed on October 26, 2016). |
| 10.59 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to non-Swiss and non-Canadian grantee grantees who are not executive officers (incorporated by reference to Exhibit 10.12 of the Registrant’s Quarterly Report on Form 10-Q filed on October 26, 2016). |
| 10.60 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for non-Swiss and non-Canadian grantees. |
| 10.61 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to non-Swiss and non-Canadian grantees who are executive officers. |
| 10.62 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to non-Swiss and non-Canadian grantee grantees who are not executive officers. |
| 21.1 | List of subsidiaries |
| 23.1 | Consent of Ernst & Young LLP |
| 24.1 | Power of Attorney (included in signature page) |
| 31.1 | Chief Executive Officer’s Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Chief Financial Officer’s Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Chief Executive Officer’s Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Chief Financial Officer’s Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

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| Exhibit 101.INS | XBRL Instance Document |
| Exhibit 101.SCH | XBRL Taxonomy Extension Schema |
| Exhibit 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |

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|---|---|
| Exhibit 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| Exhibit 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |
| Exhibit 101.DEF | XBRL Taxonomy Extension Definition Linkbase |

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**(b) Exhibits**.

The exhibits listed on the accompanying Exhibit Index in Item 15(a)(3) are filed as part of, or are incorporated by reference into, this Annual Report on Form 10-K.

**(c) Financial Statement Schedules**.

Reference is made to Item 15(a)(2) above.

**Item 16. Form 10-K Summary**

None.

**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**

**Garmin Ltd. and Subsidiaries**

**(*In thousands*)**

| Description | Balance at Beginning of Period | Additions Charged to Costs and Expenses | Charged to Other Accounts | Deductions | Balance at End of Period |
|---|---|---|---|---|---|
| Year Ended December 30, 2017: | | | | | |
| Deducted from asset accounts | | | | | |
| Allowance for doubtful accounts | $ 14,669 | $ 1,021 | - | $ (11,522 ) | $ 4,168 |
| Valuation allowance - Deferred Tax Asset | 4,622 | 3,077 | - | (432 ) | 7,267 |
| Total | $ 19,291 | $ 4,098 | - | $ (11,954 ) | $ 11,435 |
| | | | | | |
| Year Ended December 31, 2016: | | | | | |
| Deducted from asset accounts | | | | | |
| Allowance for doubtful accounts | $ 13,805 | $ 4,137 | - | $ (3,273 ) | $ 14,669 |
| Valuation allowance - Deferred Tax Asset | 2,781 | 1,966 | - | (125 ) | 4,622 |
| Total | $ 16,586 | $ 6,103 | - | $ (3,398 ) | $ 19,291 |
| | | | | | |
| Year Ended December 26, 2015: | | | | | |
| Deducted from asset accounts | | | | | |
| Allowance for doubtful accounts | $ 18,330 | $ (2,521 ) | - | $ (2,004 ) | $ 13,805 |
| Valuation allowance - Deferred Tax Asset | 11,358 | 422 | - | (8,999 ) | 2,781 |
| Total | $ 29,688 | $ (2,099 ) | - | $ (11,003 ) | $ 16,586 |

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GARMIN LTD.

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

Dated: February 21, 2018

**POWER OF ATTORNEY**

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Clifton A. Pemble and Douglas G. Boessen and Andrew R. Etkind, and each of them, as his attorney-in-fact, with the power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 21, 2018.

*/s/* Clifton A. Pemble
Clifton A Pemble
*Director, President and Chief Executive Officer*
*(Principal Executive Officer)*

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

/s/ Min H. Kao
Min H. Kao
*Executive Chairman*

/s/ Joseph J. Hartnett
Joseph J. Hartnett
*Director*

/s/ Donald H. Eller
Donald H. Eller
*Director*

/s/ Rebecca R. Tilden
Rebecca R. Tilden
*Director*

/s/ Charles W. Peffer
Charles W. Peffer
*Director*

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**Garmin Ltd.**

**2017 Form 10-K Annual Report**

**Exhibit Index**

The following exhibits are attached hereto. See Part IV of this Annual Report on Form 10-K for a complete list of exhibits.

| **Exhibit Number** | **Document** |
|---|---|
| 10.60 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for non-Swiss and non-Canadian grantees. |
| 10.61 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to non-Swiss and non-Canadian grantees who are executive officers. |
| 10.62 | Form of Restricted Stock Unit Award Agreement pursuant to the Garmin Ltd. 2005 Equity Incentive Plan, for awards of performance-based and time-based vesting restricted stock unit awards to non-Swiss and non-Canadian grantee grantees who are not executive officers. |
| 21.1 | List of subsidiaries |
| 23.1 | Consent of Ernst & Young LLP |
| 31.1 | Chief Executive Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Chief Financial Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
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| 32.2 | Chief Financial Officer's Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

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| Exhibit 101.INS | XBRL Instance Document |
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| Exhibit 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
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| Exhibit 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |
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