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

FORM 10-Q

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

For the quarterly period ended March 31, 2001

or

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

For the transition period from ______ to ______

Commission file number 0-31983

GARMIN LTD.
(Exact name of Company as specified in its charter)

Cayman Islands (State or other jurisdiction of incorporation or organization)	**98-0229227** (I.R.S. Employer identification no.)
Queensgate House, P.O. Box 30464SMB, 113 South Church Street George Town, Grand Cayman, Cayman Islands (Address of principal executive offices)	N/A (Zip Code)

Company's telephone number, including area code: **(345) 946-5203***

No Changes
(Former name, former address and former fiscal year, if changed since last report)

Common Shares, $0.01 Per Share Par Value
(Title of Class)

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

Number of shares outstanding of the Company's common shares as of May 11, 2001:
Common Shares, $.01 par value – 108,242,111

*The executive offices of the Registrant's principal United States subsidiary are located at 1200 East 151st Street, Olathe, Kansas 66062.
The telephone number there is (913) 397-8200.

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Part I – Financial Information

Item 1. Condensed Consolidated Financial Statements (unaudited)

Introductory Comments

The Condensed Consolidated Financial Statements of Garmin Ltd. ("Garmin" or the "Company") included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to enable a reasonable understanding of the information presented. These Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and the notes thereto for the year ended December 31, 2000. Additionally, the Condensed Consolidated Financial Statements should be read in conjunction with Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Form 10-Q.

The results of operations for the three-months ended March 31, 2001, are not necessarily indicative of the results to be expected for the full year 2001.

Garmin Ltd. And Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands)

	(Unaudited) March 31, 2001	December 30, 2000
Assets		
Current Assets:		
Cash and cash equivalents	$253,019	$251,731
Accounts receivable, net	48,575	32,719
Inventories	85,756	89,855
Deferred income taxes	11,988	12,293
Prepaid expenses and other current assets	3,508	1,423
Total current assets	402,846	388,021
Property and equipment, net	68,083	64,704
Other assets, net	7,956	10,622
Total assets	$478,885	$463,347
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable	$15,209	$22,496
Other accrued expenses	12,507	13,163
Income taxes payable	8,571	5,795
Current portion of long-term debt	-	587
Total current liabilities	36,287	42,041
Long-term debt, less current portion	43,983	46,359
Deferred income taxes	8,637	9,616
Other liabilities	-	92
Stockholders' equity:		
Preferred stock, $1.00 par value, 1,000,000 authorized, none issued	-	-
Common stock, $0.01 par value, 500,000,000, share authorized:		
Issued and outstanding shares - 108,242,111	1,082	1,082
Additional paid-in capital	133,925	133,925
Retained earnings	276,939	253,140
Accumulated other comprehensive loss	(21,968)	(22,908)
Total stockholders' equity	389,978	365,239
Total liabilities and stockholders' equity	$478,885	$463,347

Garmin Ltd. And Subsidiaries

Condensed Consolidated Statements of Income (Unaudited)

(In thousands, except per share information)

	Three Months Ended	
	March 31, 2001	**March 25, 2000**
Net sales	$85,534	$76,576
Cost of goods sold	39,616	34,663
Gross profit	45,918	41,913
Selling, general and administrative expenses	9,259	7,091
Research and development expense	6,296	4,706
	15,555	11,797
Operating income	30,363	30,116
Other income (expense):		
Interest income	3,286	935
Interest expense	(768)	(483)
Foreign currency	(1,103)	(3,698)
Other	123	94
	1,538	(3,152)
Income before income taxes	31,901	26,964
Income tax provision	8,102	6,365
Net income	$23,799	$20,599
Net income per share		
Basic	$0.22	$0.21
Diluted	$0.22	$0.21
Weighted average common shares outstanding:		
Basic	108,242	100,000
Diluted	108,608	100,000

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

	March 31, 2001	**March 25, 2000**
Operating Activities:		
Net income	$23,799	$20,599
Depreciation & amortization	2,384	1,434
Provision for doubtful accounts	74	66
Deferred income taxes	339	(167)
Accounts receivable	(15,753)	(3,629)
Inventories	4,280	(15,613)
Other current assets	(1,342)	438
Accounts payable	(7,428)	4,259
Other current liabilities	(1,786)	600
Income taxes	2,780	(80)
Net cash provided by operating activities	7,347	7,907
Investing activities:		
Purchases of property and equipment	(4,709)	(8,322)
Decrease in restricted cash	3,204	-
Other	(1,307)	-
Net cash used in investing activities	(2,812)	(8,322)
Financing activities:		
Payments on long term debt	(2,484)	-
Net cash provided by (used in) financing activities	(2,484)	-
Effect of exchange rate changes on cash	(764)	5,700
Net increase in cash	1,287	5,285
Cash at beginning of period	251,732	104,237
Cash at end of period	$253,019	$109,522

Garmin Ltd.

Notes to Condensed Consolidated Financial Statements

March 31, 2001
(In thousands, except share and per share information)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2001 are not necessarily indicative of the results that may be expected for the year ended December 29, 2001.

The condensed consolidated balance sheet at December 30, 2000 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for completed financial statements. For further information, refer to the condensed consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 30, 2000.

The company's fiscal year is based on a 52-53 week period ending on the last Saturday of the calendar year. Therefore the financial results of certain fiscal years, and the associated 14-week quarters, will not be exactly comparable to the prior and subsequent 52-week fiscal years and the associated quarters having only 13 weeks. The quarters ended March 31, 2001 and March 25, 2000 both contain operating results for 13 weeks.

2. Inventories

The components of inventory consist of the following:

	March 31, 2001	December 30, 2000
Raw materials	$37,717	$39,914
Work-in-process	12,143	8,116
Finished goods	35,896	41,825
Inventory, net of reserves	$85,756	$89,855

3. Initial Public Offering

On December 8, 2000, the Company completed an underwritten initial public offering of 12,075,000 shares (including shares sold pursuant to the underwriters' over-allotment option) of its common stock, of which 8,242,111 shares were offered by the Company and 3,832,889 were offered by selling shareholders (the Offering) at an offering price of $14.00 per share. Prior to, but in connection with the Offering, the Board of Directors approved a 1.12379256-for-1 stock split of the Company's common shares, effected through a stock dividend on November 6, 2000. All share and per share information included in the accompanying condensed consolidated financial statements has been adjusted to give retroactive effect to the common stock split.

4. **Earnings Per Share**

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

	Three-month period Ended	
	March 31, 2001	**March 25, 2000**
Numerator:		
Numerator for basic and diluted net income per share – net income	$23,799	$20,599
Denominator *(in thousands)*:		
Denominator for basic net income per share – weighted-average common shares	108,242	100,000
Effect of dilutive securities – employee stock options	366	–
Denominator for diluted net income per share – adjusted weighted-average common shares	108,608	100,000
Basic net income per share	$0.22	$0.21
Diluted net income per share	$0.22	$0.21

5. **Comprehensive Income**

Comprehensive income is comprised of the following:

	Three-month period Ended	
	March 31, 2001	**March 25, 2000**
Net income	$23,799	$20,599
Translation adjustment	(940)	(4,513)
Comprehensive income	$22,859	$16,086

6. **Segment Information**

Revenues and income before income taxes for each of the Company's reportable segments are presented below:

	Three-month period Ended			
	March 31, 2001		March 25, 2000	
	Consumer	Aviation	Consumer	Aviation
	(in thousands)			
Sales to external customers	$58,524	$27,010	$50,152	$26,424
Income before income taxes	$20,006	$11,895	$16,392	$10,572

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

The discussion set forth below, as well as other portions of this Quarterly Report, contains statements concerning potential future events. Such forward-looking statements are based upon assumptions by our management, as of the date of this Quarterly Report, including assumptions about risks and uncertainties faced by the Company. Readers can identify these forward-looking statements by their use of such verbs as expects, anticipates, believes or similar verbs or conjugations of such verbs. If any of our assumptions prove incorrect or should unanticipated circumstances arise, our actual results could materially differ from those anticipated by such forward-looking statements. The differences could be caused by a number of factors or combination of factors including, but not limited to, those factors identified in the Company's Annual Report on Form 10-K for the year ended December 30, 2000. This report has been filed with the Securities and Exchange Commission (the "SEC" or the "Commission") in Washington, D.C. and can be obtained by contacting the SEC's public reference operations or obtaining it through the SEC's web site on the World Wide Web at http://www.sec.gov. Readers are strongly encouraged to consider those factors when evaluating any forward-looking statement concerning the Company. The Company will not update any forward-looking statements in this Quarterly Report to reflect future events or developments.

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto included in this Form 10-Q and the audited financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 30, 2000.

The Company is a leading worldwide provider of navigation, communications and information devices, most of which are enabled by Global Positioning System, or GPS, technology. We operate in two business segments, the consumer and aviation markets. Both of our segments offer products through our network of independent dealers and distributors. However, the nature of products and types of customers for the two segments vary significantly. As such, the segments are managed separately. Our consumer segment includes portable GPS receivers and accessories for marine, recreation, land and automotive use sold primarily to retail outlets. Our aviation products are portable and panel-mount avionics for Visual Flight Rules and Instrument Flight Rules navigation and are sold primarily to retail outlets and certain aircraft manufacturers.

Results of Operations

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

	Three-month period Ended	
	March 31, 2001	March 25, 2000
Net sales	100.0%	100.0%
Cost of goods sold	46.3%	45.3%
Gross profit	53.7%	54.7%
Selling, general and administrative	10.8%	9.3%
Research and development	7.4%	6.1%
Total operating expenses	18.2%	15.4%
Operating income	35.5%	39.3%
Other income, net	1.8%	(4.1)%
Income before income taxes	37.3%	35.2%
Provision for income taxes	9.5%	8.3%
Net income	27.8%	26.9%

The following table sets forth our results of operations for each of our two segments through income before income taxes during the periods shown. For each line item in the table, the total of the consumer and aviation segments' amounts equals the amount in the consolidated statements of income included in Item 1.

	Three-month period Ended			
	March 31, 2001		March 25, 2000	
	Consumer	Aviation	Consumer	Aviation
	(in thousands)			
Net sales	$58,524	$27,010	$50,152	$26,424
Cost of goods sold	28,552	11,064	23,629	11,034
Gross profit	29,972	15,946	26,523	15,390
Operating expenses:				
Selling, general and administrative	6,657	2,602	5,128	1,963
Research and development	4,235	2,061	2,776	1,930
Total operating expenses	10,892	4,663	7,904	3,893
Operating income	19,080	11,283	18,619	11,497
Other income (expense), net	926	612	(2,227)	(925)
Income before income taxes	$20,006	$11,895	$16,392	$10,572

Comparison of Three Months Ended March 31, 2001 and March 25, 2000

Net Sales

Net sales increased $8.9 million, or 11.7%, to $85.5 million for the three-month period ended March 31, 2001, from $76.6 million for the three-month period ended March 25, 2000. The increase for the three-month period ended March 31, 2001 was primarily due to the introduction of several new products and the increase in overall demand for our GPS products. Sales from our consumer products accounted for 68.4% of net sales for the first quarter of 2001 compared to 65.5% during the first quarter of 2000. Sales from our aviation products accounted for 31.6% for the first quarter of 2001 compared to

34.5% during the first quarter of 2000. Our consumer segment primarily drove sales growth as total units were up 22% to 320,000 in 2001 from 263,000 in 2000.

Net sales for the consumer segment increased $8.3 million, or 16.7%, to $58.5 million for the three-month period ended March 31, 2001, from $50.2 million for the three-month period ended March 25, 2000. The increase for the three-month period ended March 31, 2001 was primarily due to the new product introductions in our eTrex® product line and overall demand for our marine and recreation products.

Net sales for the aviation segment increased $0.6 million, or 2.2%, to $27.0 million for the three-month period ended March 31, 2001, from $26.4 million for the three-month period ended March 25, 2000. The increase for the three-month period ended March 31, 2001 was primarily due to strong sales of our panel-mount aviation products partially offset by lower demand of our handheld aviation products. We experienced strong sales of our GPSMAP® 295 during the three-month period ended March 25, 2000 when the product was introduced.

Gross Profit

Gross profit increased $4.0 million, or 9.6%, to $45.9 million for the three-month period ended March 31, 2001, from $41.9 million for the three-month period ended March 25, 2000. This increase was primarily attributable to revenue growth associated with increased unit volumes. Gross profit as a percentage of net sales decreased to 53.7% for the three-month period ended March 31, 2001 from 54.7% for the three-month period ended March 25, 2000. This decrease as a percentage of net sales was primarily attributed to a shift in product mix within the consumer segment and the fact that we did not fully benefit from the incremental sales generated from our new product introductions that occurred late in the quarter.

Gross profit for the consumer segment increased $3.5 million, or 13.0%, to $30.0 million for the three-month period ended March 31, 2001, from $26.5 million for the three-month period ended March 25, 2000. Gross profit as a percentage of net sales decreased to 51.2% for the three-month period ended March 31, 2001 from 52.9% for the three-month period ended March 25, 2000 due to a shift in product mix as we sold more lower priced eTrex units. Additionally, we did not fully benefit from the incremental sales generated from our new product introductions that occurred late in the quarter.

Gross profit for the aviation segment increased $0.5 million, or 3.6%, to $15.9 million for the three-month period ended March 31, 2001, from $15.4 million for the three-month period ended March 25, 2000. Gross profit as a percentage of net sales increased to 59.0% for the three-month period ended March 31, 2001 from 58.2% for the three-month period ended March 25, 2000. This increase as a percentage of net sales was primarily attributed to continued sales of our higher margin panel-mount aviation product line.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $2.2 million, or 30.6%, to $9.3 million (10.8% of net sales) for the three-month period ended March 31, 2001, from $7.1 million (9.3% of net sales) for the three-month period ended March 25, 2000. Selling, general and administrative expenses increased $1.6 million, or 29.9%, in the consumer segment and $0.6 million, or 32.6%, in the aviation segment. The increase in expense was primarily attributable to additional costs associated with our being a public company, increases in employment generally across the organization and increased advertising costs associated with new product releases.

Research and Development Expense

Research and development expenses increased $1.6 million, or 33.8%, to $6.3 million (7.4% of net sales) for the three-month period ended March 31, 2001, from $4.7 million (6.1% of net sales) for the three-month period ended March 25, 2000. Research and development expenses increased $1.4 million, or 52.5%, in the consumer segment and $0.2 million, or 6.8%, in the aviation segment. The increase in expense was primarily due to the release of seven new products within our consumer segment and an increase in our engineering staff as a result of our continued emphasis on innovation.

Operating Income

Operating income for the three-month period ended March 31, 2001 increased to $30.4 million, or 0.8% from $30.1 million for the three-month period ended March 25, 2000. Operating income as a percentage of net sales decreased to 35.5% for the three-month period ended March 31, 2001, from 39.3% for the three-month period ended March 25, 2000 as a result of the factors discussed above.

Other Income (Expense)

Other income (expense) principally consists of interest income, interest expense and foreign currency exchange gains and losses. Other income for the three-month period ended March 31, 2001 amounted to $1.5 million compared to other expense of $3.2 million for the three-month period ended March 25, 2000. Interest income for the three-month period ended March 31, 2001 amounted to $3.3 million compared to $0.9 million for the three-month period ended March 25, 2000, the increase being attributable to the growth of Garmin's cash and cash equivalents during the period on which interest income is earned. Interest expense increased to $0.8 million for the three-month period ended March 31, 2001 from $0.5 million for the three-month period ended March 25, 2000, due primarily to the additional long-term debt required to finance the further expansion of our Olathe, Kansas facility in 2000.

We recognized a foreign currency exchange loss of $1.1 million for the three-month period ended March 31, 2001 compared to a loss of $3.7 million for the three-month period ended March 25, 2000. The $1.1 million loss was due to the weakness of the U.S. Dollar compared to the New Taiwan Dollar during the first quarter of fiscal 2001, when the exchange rate decreased to 32.85 NTD/USD at March 31, 2001 from 33.01 NTD/USD at December 30, 2000. The $3.7 million loss was due to the weakness of the U.S. Dollar compared to the New Taiwan Dollar during the first quarter of fiscal 2000, when the exchange rate decreased to 30.66 NTD/USD at March 25, 2000 from 31.65 NTD/USD at December 25, 1999.

Income Tax Provision

Income tax expense increased by $1.7 million, to $8.1 million, for the three-month period ended March 31, 2001 from $6.4 million for the three-month period ended March 25, 2000 due to our higher taxable income. The effective tax rate was 25.4% for the three-month period ended March 31, 2001 versus 23.6% for the three-month period ended March 25, 2000. The increase is attributable to a surtax on undistributed earnings in Taiwan that Garmin will pay in 2002. The tax cost of distributing earnings from Garmin Corporation, Garmin's Taiwan subsidiary, to the Company significantly exceeds the amount of the surtax.

Net Income

As a result of the above, net income for the three-month period ended March 31, 2001 was $23.8 million compared to $20.6 million for the three-month period ended March 25, 2000.

Liquidity and Capital Resources

Net cash generated by operating activities was $7.3 million for the three-month period ended March 31, 2001 compared to $7.9 million for the three-month period ended March 25, 2000. We operate with a strong customer driven approach and therefore carry sufficient inventory to meet customer demand. Because we desire to respond quickly to our customers and minimize order fulfillment time, our inventory levels are generally high enough to meet most demand. We also attempt to carry sufficient inventory levels on key components so that potential supplier shortages have as minimal an impact as possible on our ability to deliver our finished products. We did experience a $4.1 million reduction in inventory for the three-month period ended March 31, 2001 as we began shipments of seven new products. Due to the timing of these new product introductions during the quarter, our accounts receivable balance increased $15.9 million to $48.6 million at March 31, 2001 from $32.7 million at March 25, 2000. We do not anticipate that the timing of new product introductions will have a negative impact on our financial results in the future.

During the three-month period ended March 31, 2001, our capital expenditures totaled $4.7 million compared to $8.3 million for the three-month period ended March 25, 2000. The capital expenditures were incurred primarily for the expansion of our Olathe, Kansas facility.

We believe that our existing cash balances and cash flow from operations will continue to be sufficient to meet our expected capital and liquidity needs for the foreseeable future.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Sensitivity

We have market risk primarily in connection with the pricing of our products and services and the purchase of raw materials. Product pricing and raw 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 material costs.

Foreign Currency Exchange Rate Risk

The operation of the Company’s subsidiaries in international markets results in exposure to movements in currency exchange rates. The principal currencies involved are the New Taiwan Dollar and the British Pound Sterling. Although some fluctuations have occurred, particularly in 1997 and the fourth quarter of 2000, we generally have not been significantly affected by foreign exchange fluctuations because, until recently, the New Taiwan Dollar has proven to be relatively stable. However, more volatile foreign exchange rate fluctuations in the future could have a significant effect on our results of operations. The Company’s international subsidiaries use 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.

The operation of the Company's subsidiaries in international markets results in exposure to movements in currency exchange rates. The principal currencies involved are the New Taiwan Dollar and the British Pound Sterling. The Company's international subsidiaries use 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. All of the Company's sales are in U.S.

dollars. In order to minimize the effect of the currency exchange fluctuations on our operations, we have elected to retain most of our cash at our Taiwan subsidiary in U.S. dollars. As such, even when a significant gain or loss occurs as a result of more volatile foreign exchange rate fluctuations, the actual impact on our operations is of a lesser extent.

Interest Rate Risk

As of March 31, 2001, we have interest rate risk in connection with our industrial revenue bonds that bear interest at a floating rate. Garmin International, Inc. entered into an interest rate swap agreement to modify the characteristics of $15 million of its outstanding long-term debt from a floating rate to a fixed rate basis. This agreement involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount. The gain or loss on interest rate swap agreements is immaterial.

Part II - Other Information

Item 1. Legal Proceedings

From time to time the Company may be involved in litigation arising in the course of its operations. As of May 11, 2001, the Company was not a party to any material legal proceedings.

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports on Form 8-K

Not applicable

SIGNATURES

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

GARMIN LTD.

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

Dated: May 14, 2001