

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

FORM 10-Q

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

For the quarterly period ended March 29, 2003

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)

**5th Floor, Harbour Place, P.O. Box 30464 SMB,
103 South Church Street**

George Town, Grand Cayman, Cayman Islands
(Address of principal executive offices)

98-0229227

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

N/A

(Zip Code)

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

No Changes

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

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

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

Number of shares outstanding of the Company's common shares as of May 9, 2003:
Common Shares, \$.01 par value – 107,990,527

Garmin Ltd.
Form 10-Q
Quarter Ended March 29, 2003

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Garmin Ltd.
Form 10-Q
Quarter Ended March 29, 2003

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 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 28, 2002. Additionally, the Condensed Consolidated Financial Statements should be read in conjunction with Item 2 of Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Form 10-Q.

The results of operations for the 13-week period ended March 29, 2003 are not necessarily indicative of the results to be expected for the full year 2003.

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

	(Unaudited)	March 29, 2003	December 28, 2002
Assets			
Current assets:			
Cash and cash equivalents	\$251,148	\$216,768	
Marketable securities	79,311	113,336	
Accounts receivable, net	52,108	58,278	
Inventories	62,846	57,507	
Deferred income taxes	14,847	14,847	
Prepaid expenses and other current assets	<u>5,649</u>	<u>4,490</u>	
Total current assets	465,909	465,226	
Property and equipment, net	76,785	74,440	
Marketable securities	170,008	132,372	
Restricted cash	1,599	1,598	
Other assets, net	<u>24,598</u>	<u>24,479</u>	
Total assets	<u>\$738,899</u>	<u>\$698,115</u>	
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$24,670	\$32,446	
Salaries and benefits payable	2,867	4,178	
Warranty reserve	5,705	5,949	
Other accrued expenses	10,989	12,752	
Income taxes payable	<u>26,597</u>	<u>18,080</u>	
Total current liabilities	70,828	73,405	
Long-term debt, less current portion	20,000	20,000	
Deferred income taxes	2,278	2,211	
Stockholders' equity:			
Preferred stock, \$1.00 par value, 1,000,000 authorized, none issued	0	0	
Common stock, \$0.01 par value, 500,000,000, share authorized:			
Issued and outstanding shares - 107,919,766 as of	1,080	1,080	
December 28, 2002 and 107,965,477 as of			
March 29, 2003			
Additional paid-in capital	13,011	129,431	
Retained earnings	549,378	507,884	
Accumulated other comprehensive loss	<u>(34,777)</u>	<u>(35,896)</u>	
Total stockholders' equity	<u>645,793</u>	<u>602,499</u>	
Total liabilities and stockholders' equity	<u>\$738,899</u>	<u>\$698,115</u>	

See accompanying notes.

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

	13-Weeks Ended	
	March 29, 2003	March 30, 2002
Net sales	\$123,788	\$100,856
Cost of goods sold	<u>49,133</u>	<u>46,364</u>
Gross profit	74,655	54,492
Selling, general and administrative expenses	13,593	11,239
Research and development expense	<u>8,796</u>	<u>7,973</u>
	<u>22,389</u>	<u>19,212</u>
Operating income	52,266	35,280
Other income (expense):		
Interest income	1,922	1,625
Interest expense	(274)	(371)
Foreign currency	(777)	(733)
Other	<u>(41)</u>	<u>71</u>
	<u>830</u>	<u>592</u>
Income before income taxes	53,096	35,872
Income tax provision	<u>11,602</u>	<u>9,111</u>
Net income	<u><u>\$41,494</u></u>	<u><u>\$26,761</u></u>
Net income per share:		
Basic	\$0.38	\$0.25
Diluted	\$0.38	\$0.25
Weighted average common shares outstanding:		
Basic	107,948	107,777
Diluted	108,693	108,137

See accompanying notes.

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

	13-Weeks Ended	
	March 29, 2003	March 30, 2002
Operating Activities:		
Net income	\$41,494	\$26,761
Depreciation and amortization	4,542	2,929
Gain on sale of property and equipment	65	0
Provision for doubtful accounts	190	845
Deferred income taxes	0	201
Provision for obsolete inventory	0	454
Foreign currency transaction gains	729	495
Changes in operating assets and liabilities:		
Accounts receivable	4,465	(1,021)
Inventories	(5,261)	7,077
Other current assets	(1,160)	(737)
Accounts payable	(7,875)	303
Other current liabilities	(3,336)	4,175
Income taxes	<u>8,511</u>	<u>6,844</u>
Net cash provided by operating activities	<u>42,364</u>	<u>48,326</u>
Investing activities:		
Purchases of property and equipment	(4,648)	(3,643)
Purchase of intangible assets	(289)	0
Purchase of marketable securities, net	(4,258)	(8,949)
Proceeds from asset sale	10	0
Other	<u>0</u>	<u>(382)</u>
Net cash used in investing activities	<u>(9,185)</u>	<u>(12,974)</u>
Financing activities:		
Payments on long term debt	0	(2,851)
Proceeds from issuance of common stock	<u>685</u>	<u>0</u>
Net cash provided by (used in) financing activities	<u>685</u>	<u>(2,851)</u>
Effect of exchange rate changes on cash	516	536
Net increase in cash	<u>34,380</u>	<u>33,037</u>
Cash and cash equivalents at beginning of period	<u>216,768</u>	<u>192,842</u>
Cash and cash equivalents at end of period	<u>\$251,148</u>	<u>\$225,879</u>

See accompanying notes.

Garmin Ltd.

Notes to Condensed Consolidated Financial Statements (Unaudited)

March 29, 2003
(In thousands, except share and per share information)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the 13-week period ended March 29, 2003 are not necessarily indicative of the results that may be expected for the year ended December 27, 2003.

The condensed consolidated balance sheet at December 28, 2002 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 consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 28, 2002.

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 29, 2003 and March 30, 2002 both contain operating results for 13 weeks.

2. Recent Pronouncements

In June 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, *"Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)"*. The provisions of this statement are effective for exit or disposal activities initiated after December 31, 2002. The adoption of this statement did not have a significant impact on the Company's financial position as no exit or disposal activities are currently planned.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure*. This statement requires all entities with stock-based employee compensation arrangements to provide additional disclosures in their summary of significant accounting policies note. Since the Company uses the intrinsic value method of Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, the footnotes will include a tabular presentation of pro forma net income and earnings per share using the fair value method prescribed by SFAS No. 123, *Accounting for Stock-Based Compensation*. Also, SFAS No. 148 permits entities changing to the fair value method of accounting for employee stock compensation to choose from one of three transition methods — the prospective method, the modified prospective method, or the retroactive restatement method. Finally, SFAS No. 148 requires the Company to make interim-period pro forma disclosures if stock-based compensation is accounted for under the intrinsic value method in any period presented. The expanded annual disclosure requirements and the transition provisions were effective for the Company's fiscal year 2002. The new interim period disclosures are required in the Company's financial statements for interim

periods beginning in the first quarter of fiscal 2003. This statement did not have a material impact on the Company's results of operations or financial condition. (See Note 9.)

3. Inventories

The components of inventory consist of the following:

	March 29, 2003	December 28, 2002
Raw materials	\$23,909	\$24,177
Work-in-process	13,259	10,936
Finished goods	35,325	31,818
Inventory reserves	<u>(9,647)</u>	<u>(9,424)</u>
Inventory, net of reserves	<u><u>\$62,846</u></u>	<u><u>\$57,507</u></u>

4. Stock Repurchase Plan

There is no stock repurchase program in place as of March 29, 2003. The previous stock repurchase program established on September 24, 2001 expired on December 31, 2002. The Company purchased 595,000 shares during the life of that program for \$9,834.

5. Long Term Debt

During 2000, Garmin International Inc. entered into an agreement with the City of Olathe, Kansas to finance the Company's expansion of its manufacturing facilities through the issuance of Series 2000 Industrial Revenue Bonds (the 2000 Bonds) totaling \$20,000. At March 29, 2003, outstanding principal under the 2000 Bonds totaled \$20,000. Interest on the 2000 Bonds is payable monthly at a variable interest rate (1.37% at March 28, 2003), which is adjusted weekly to the current market rate as determined by the remarketing agent of the 2000 Bonds with principal due upon maturity at April 15, 2020. The Company has the option at any time to retire a portion or all of its long-term debt.

6. Earnings Per Share

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

	13-Weeks Ended	
	March 29, 2003	March 30, 2002
Numerator:		
Numerator for basic and diluted net income per share - net income	<u>\$41,494</u>	<u>\$26,761</u>
Denominator:		
Denominator for basic net income per share - weighted-average common shares	107,948	107,777
Effect of dilutive securities - employee stock options	<u>745</u>	<u>360</u>
Denominator for diluted net income per share - adjusted weighted-average common shares	<u>108,693</u>	<u>108,137</u>
Basic net income per share	<u>\$0.38</u>	<u>\$0.25</u>
Diluted net income per share	<u>\$0.38</u>	<u>\$0.25</u>

At March 29, 2003, all options to purchase the shares of common stock were included in the computation of diluted earnings per share because the options exercise price was in all cases less than the average market price of the common shares. Therefore, there was no anti-dilutive effect of these options during the 13-week period ended March 29, 2003.

7. Comprehensive Income

Comprehensive income is comprised of the following:

	13-Weeks Ended	
	March 29, 2003	March 30, 2002
Net income	\$41,494	\$26,761
Translation adjustment	1,015	962
Change in fair value of effective portion of cash flow hedges, net of deferred taxes	-	(37)
Change in fair value of available-for-sale marketable securities	<u>104</u>	<u>-</u>
Comprehensive income	<u>\$42,613</u>	<u>\$27,686</u>

8. Segment Information

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

	13-Weeks Ended			
	March 29, 2003		March 30, 2002	
	<u>Consumer</u>	<u>Aviation</u>	<u>Consumer</u>	<u>Aviation</u>
(in thousands)				
Sales to external customers	\$95,309	\$28,479	\$74,747	\$26,109
Income before income taxes	\$40,168	\$12,928	\$25,149	\$10,723

Revenues and long-lived assets (property and equipment) by geographic area are as follows for the 13-week periods ended March 29, 2003 and March 30, 2002:

	North America	Asia	Europe	Total
March 29, 2003				
Sales to external customers	\$85,252	\$5,010	\$33,526	\$123,788
Long-lived assets	43,636	32,634	515	76,785
March 30, 2002				
Sales to external customers	\$73,011	\$4,139	\$23,706	\$100,856
Long-lived assets	40,602	30,970	534	72,106

9. Stock Compensation Plans

Accounting for Stock-Based Compensation

At March 29, 2003, the company has two stock-based employee compensation plans. The company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation.

	March 29, 2003	March 30, 2002
Net income as reported	\$41,494	\$26,761
Deduct: Total stock-based employee compensation expense determined under fair-value based method for all awards, net of tax effects	(745)	(543)
Pro forma net income	<u><u>\$40,749</u></u>	<u><u>\$26,218</u></u>
Net income per share as reported:		
Basic	\$0.38	\$0.25
Diluted	\$0.38	\$0.25
Pro forma net income per share:		
Basic	\$0.38	\$0.24
Diluted	\$0.37	\$0.24

2000 Non-employee Directors' Option Plan

In October 2000, the stockholders adopted a stock option plan for non-employee directors (the Directors Plan) providing for grants of options for up to 50,000 common shares of the Company's stock. The term of each award is ten years. All awards vest evenly over a three-year period.

2000 Equity Incentive Plan

Also in October 2000, the stockholders adopted an equity incentive plan (the Plan) providing for grants of incentive and nonqualified stock options and “other” stock compensation awards to employees of the Company and its subsidiaries, pursuant to which up to 3,500,000 shares of common stock are available for issuance. The stock options generally vest 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. Option activity under the Plan during 2002 and 2001 is summarized below. There have been no “other” stock compensation awards granted under the Plan. A summary of the Company’s stock option activity and related information under the 2000 Equity Incentive Plan and 2000 Non-employee Directors’ Option Plan for the period ending March 29, 2003 and years ended December 28, 2002 and December 29, 2001 is provided below:

	Weighted-Average Exercise Price	Number of Shares
		(In Thousands)
Outstanding at December 29, 2001	\$15.45	1,535
Granted	\$29.61	453
Exercised	\$14.15	(74)
Canceled	\$16.58	(40)
Outstanding at December 28, 2002	<u>\$18.90</u>	<u>1,874</u>
Granted	-	0
Exercised	\$14.95	(45)
Canceled	\$15.93	(8)
Outstanding at March 29, 2003	<u>\$19.17</u>	<u>1,821</u>

There were no options granted during the 13-week periods ending March 29, 2003 and March 30, 2002.

The weighted-average remaining contract life for options outstanding at March 29, 2003 is approximately 8.4 years. Options outstanding at March 29, 2003 have exercise prices ranging from \$14.00 to \$29.79. At March 29, 2003, options to purchase 397,361 shares are exercisable.

10. Warranty Reserves

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

	March 29, 2003	March 30, 2002
Balance - beginning of the period	\$ 5,949	\$ 3,914
Accrual for products sold during the period	1,886	1,797
Expenditures	<u>(2,130)</u>	<u>(1,603)</u>
Balance - end of the period	\$ 5,705	\$ 4,108

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 28, 2002. 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 28, 2002.

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:

	13-Weeks Ended	
	March 29, 2003	March 30, 2002
Net sales	100.0%	100.0%
Cost of goods sold	39.7%	46.0%
Gross profit	60.3%	54.0%
Research and development	7.1%	7.9%
Selling, general and administrative	11.0%	11.1%
Total expenses	18.1%	19.0%
Operating income	42.2%	35.0%
Other income, net	0.7%	0.6%
Income before income taxes	42.9%	35.6%
Provision for income taxes	9.4%	9.1%
Net income	33.5%	26.5%

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 condensed consolidated statements of income included in Item 1.

	13-Weeks Ended			
	March 29, 2003		March 30, 2002	
	<u>Consumer</u>	<u>Aviation</u>	<u>Consumer</u>	<u>Aviation</u>
Net sales	\$95,309	\$28,479	\$74,747	\$26,109
Cost of good sold	<u>39,567</u>	<u>9,566</u>	<u>36,080</u>	<u>10,284</u>
Gross profit	<u>55,742</u>	<u>18,913</u>	<u>38,667</u>	<u>15,825</u>
Operating Expenses:				
Selling, general and administrative	10,687	2,906	8,899	2,340
Research and development	<u>5,549</u>	<u>3,247</u>	<u>4,975</u>	<u>2,998</u>
Total Expenses	<u>16,236</u>	<u>6,153</u>	<u>13,874</u>	<u>5,338</u>
Operating income	<u>39,506</u>	<u>12,760</u>	<u>24,793</u>	<u>10,487</u>
Other income, net	<u>662</u>	<u>168</u>	<u>357</u>	<u>235</u>
Income before income taxes	<u>\$40,168</u>	<u>\$12,928</u>	<u>\$25,150</u>	<u>\$10,722</u>

Comparison of 13-Weeks Ended March 29, 2003 and March 30, 2002

Net Sales

Net sales increased \$22.9 million, or 22.7%, to \$123.8 million for the 13-week period ended March 29, 2003, from \$100.9 million for the 13-week period ended March 30, 2002. The increase for the 13-week period ended March 29, 2003 was primarily due to the success of the 22 new products that were introduced during fiscal year 2002 and overall demand for our consumer products associated with a strong marine and recreation selling season during the quarter. Sales from our consumer products accounted for 77% of net sales for the first quarter of 2003 compared to 74% during the first quarter of 2002. Sales from our aviation products accounted for 23% for the first quarter of 2003 compared to 26% during the first quarter of 2002. Total consumer and aviation units increased 43% to 446,000 in 2003 from 313,028 in 2002. The higher unit volume in the first quarter of fiscal 2003 was primarily attributable to the introduction of new products in 2002 which caused higher volume in our consumer segment.

Net sales for the consumer segment increased \$20.5 million, or 27.4%, to \$95.3 million for the 13-week period ended March 29, 2003, from \$74.8 million for the 13-week period ended March 30, 2002. The increase for the 13-week period ended March 29, 2003 was primarily due to the success of the new consumer products introduced during fiscal year 2002 and overall demand for our consumer products associated with a strong marine and recreation selling season during the quarter.

Net sales for the aviation segment increased \$2.4 million, or 9.1%, to \$28.5 million for the 13-week period ended March 29, 2003, from \$26.1 million for the 13-week period ended March 30, 2002. The increase for the 13-week period ended March 29, 2003 was primarily due to demand for new products such as the GTX 330, GDL 49, and GPSMAP 196.

Gross Profit

Gross profit increased \$20.2 million, or 37.0%, to \$74.7 million for the 13-week period ended March 29, 2003, from \$54.5 million for the 13-week period ended March 30, 2002. Increased demand for our products resulted in increased production volumes at our Taiwan factory, resulting in improved manufacturing efficiencies and reduced factory overhead. In addition, reduced raw material component costs, coupled with our vertical integration strategy, resulted in significant gross margin improvement during the quarter. The increase in gross profit is also attributable to a favorable product mix during the quarter. Gross profit as a percentage of net sales increased to 60.3% for the 13-week period ended March 29, 2003 compared to 54.0% for the 13-week period ended March 30, 2002.

Gross profit for the consumer segment increased \$17.0 million, or 44.2%, to \$55.7 million for the 13-week period ended March 29, 2003, from \$38.7 million for the 13-week period ended March 30, 2002. This increase is primarily attributable to the increase in consumer revenue, improved manufacturing efficiencies on many of our new products introduced during fiscal year 2002, and a reduction of raw material costs. The increase in gross profit is also attributable to a favorable product mix during the quarter. Gross profit as a percentage of net sales increased to 58.5% during the 13-week period ended March 29, 2003 compared to 51.7% for the 13-week period ended March 30, 2002.

Gross profit for the aviation segment increased \$3.1 million, or 19.5%, to \$18.9 million for the 13-week period ended March 29, 2003, from \$15.8 million for the 13-week period ended March 30, 2002. This increase is associated with the increase in revenues in our aviation segment during the quarter. Gross profit as a percentage of net sales increased to 66.4% for the 13-week period ended March 29, 2003 from 60.6% for the 13-week period ended March 30, 2002. This increase as a percentage of net sales was primarily attributed to product mix as we experienced an increase in higher margin panel mount unit sales during 2003 when compared to 2002.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$2.4 million, or 21.0%, to \$13.6 million (11.0% of net sales) for the 13-week period ended March 29, 2003, from \$11.2 million (11.1% of net sales) for the 13-week period ended March 30, 2002. Selling, general and administrative expenses increased \$1.8 million, or 20.1%, in the consumer segment and increased \$0.6 million, or 24.2%, in the aviation segment. The increase in expense was driven primarily by increased call center expenses (\$0.4 million), insurance premiums (\$0.4 million), and ORACLE ERP implementation costs (\$0.9 million).

Research and Development Expense

Research and development expenses increased \$0.8 million, or 10.3%, to \$8.8 million (7.1% of net sales) for the 13-week period ended March 29, 2003, from \$8.0 million (7.9% of net sales) for the 13-week period ended March 30, 2002. Research and development expenses increased \$0.6 million, or 11.5%, in the consumer segment and \$0.3 million, or 8.3%, in the aviation segment. The increase in expense was due to ongoing development activities for new products within our consumer segment during the quarter, and the addition of 73 new engineering personnel to our staff in both the consumer and aviation segments within the last 12 months as a result of our continued emphasis on product innovation.

Operating Income

Operating income for the 13-week period ended March 29, 2003 increased to \$52.3 million from \$35.3 million for the 13-week period ended March 30, 2002. Operating income as a percentage of net sales increased to 42.2% for the 13-week period ended March 29, 2003, from 35.0% for the 13-week period ended March 30, 2002, due to the significant improvement in gross profit partially offset by overall increases in operating expenses.

Other Income (Expense)

Other income (expense) principally consists of interest income, interest expense and foreign currency exchange gains and losses. Other income for the 13-week period ended March 29, 2003 amounted to \$0.8 million compared to other income of \$0.6 million for the 13-week period ended March 30, 2002. Interest income for the 13-week period ended March 29, 2003 amounted to \$1.9 million compared to \$1.6 million for the 13-week period ended March 30, 2002, the increase being attributable to an increase in cash balances during the last 12 months. The average taxable equivalent interest rate return on invested cash during the quarter was 1.6% compared to 2.2% during fiscal year 2002. Interest expense decreased to \$0.3 million for the 13-week period ended March 29, 2003 from \$0.4 million for the 13-week period ended March 30, 2002.

We recognized a foreign currency exchange loss of \$0.8 million for the 13-week period ended March 29, 2003 compared to a loss of \$0.7 million for the 13-week period ended March 30, 2002. The \$0.8 million loss was due to the weakness of the U.S. Dollar compared to the Taiwan Dollar during the first quarter of fiscal 2002, when the exchange rate decreased to 34.79 TD/USD at March 29, 2003 from 34.90 TD/USD at December 28, 2002. The \$0.7 million loss was due to the weakness of the U.S. Dollar compared to the Taiwan Dollar during the first quarter of fiscal 2002, when the exchange rate decreased to 35.00 TD/USD at March 30, 2002 from 35.17 TD/USD at December 30, 2001.

Income Tax Provision

Income tax expense increased by \$2.5 million, to \$11.6 million, for the 13-week period ended March 29, 2003 from \$9.1 million for the 13-week period ended March 30, 2002 due to our higher taxable income. The effective tax rate fell to 21.9% due to additional tax benefits granted by the Taiwan government from increased production in our Taiwan facility.

Net Income

As a result of the above, net income increased 55.1% for the 13-week period ended March 29, 2003 to \$41.5 million compared to \$26.8 million for the 13-week period ended March 30, 2002.

Liquidity and Capital Resources

Net cash generated by operating activities was \$42.4 million for the 13-week period ended March 29, 2003 compared to \$48.3 million for the 13-week period ended March 30, 2002. 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 adequate 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 experienced a \$5.3 million increase in inventory at March 29, 2003 when compared to fiscal year-end December 28, 2002. Inventory levels were increased to support the anticipated seasonal increase in demand for our products during the upcoming second quarter 2003 selling season.

Cash flow from investing activities during the 13-week period ending March 29, 2003 was a \$9.2 million use of cash. Cash flow used in investing activities principally relates to \$4.6 million in capital expenditures and the net purchase of \$4.3 million of fixed income securities associated with the investment of our on-hand cash balances. It is management's goal to invest the on-hand cash consistent with the Company's investment policy, which has been approved by the Board of Directors. The investment policy's primary purpose is to preserve capital, maintain an acceptable degree of liquidity, and maximize yield within the constraint of maximum safety. The Company's average taxable equivalent return on its investments during the quarter was approximately 1.6%.

Cash flow from financing activities during the period was a \$0.7 million source of cash, which represents proceeds from the issuance of common stock related to our Company stock option plan.

We currently use cash flow from operations to fund our capital expenditures, to repay debt and to support our working capital requirements. We expect that future cash requirements will principally be for capital expenditures, repayment of indebtedness and working capital requirements.

We believe that our existing cash balances and cash flow from operations will be sufficient to meet our projected capital expenditures, working capital and other cash requirements at least through the end of fiscal 2003.

Contractual Obligations and Commercial Commitments

On April 25, 2003, Garmin International, Inc. signed an agreement with Turner Construction Company engaging Turner as the construction manager on a future facility expansion in Olathe, Kansas. The estimated cost of completion on this expansion project is approximately \$60.0 million with estimated completion of September 2004.

On March 23, 2000, Garmin International, Inc. completed a \$20.0 million 20-year Taxable Industrial Revenue Bond issuance (the "2000 Bonds") for the expansion of its Olathe, Kansas facility. At March 29, 2003, outstanding principal under the 2000 Bonds totaled \$20.0 million. Interest on the 2000 Bonds is payable monthly at a variable interest rate (1.37% at March 29, 2003), which is adjusted weekly to the current market rate as determined by the remarketing agent of the 2000 Bonds with principal due upon maturity on April 15, 2020.

The 2000 Bonds are secured by an irrevocable letter of credit totaling \$20.3 million with facility fees of 0.75%. This renewable letter of credit initially expires on September 20, 2004. The bank has required a sinking fund be established with principal payments on long-term debt beginning in 2004 of \$4,002 with semiannual payments of \$667 thereafter.

The reimbursement agreement entered into by Garmin International, Inc. in connection with the 2000 Bonds contain restrictive covenants, which include, among other things, financial covenants requiring minimum cash flow leverage, maximum capitalization, minimum tangible net worth, and other affirmative and negative covenants. We do not expect these limitations to have a material effect on our business or results of operations. We are in compliance with all covenants contained in the reimbursement agreement.

During 1999, Garmin Corporation borrowed \$18.0 million to finance the purchase of land and a new manufacturing facility in Shijr, Taiwan. The outstanding balance of \$2.8 million at December 29, 2001, was paid in full in January 2002.

We utilize interest rate swap agreements to manage interest rate exposure. The principal objective of such financial derivative contracts is to moderate the effect of fluctuations in interest rates. We, as a matter of policy, do not speculate in financial markets and therefore do not hold these contracts for trading purposes. We utilize what are considered simple instruments, such as non-leveraged interest rate swaps, to accomplish our objectives.

The Company has the option at any time to retire a portion or all of its long-term debt. The Company believes the funds necessary to fulfill these debt obligations and commitments will be generated in the course of normal business operations.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Sensitivity

We have market risk primarily in connection with the pricing of our products and services and the purchase of raw materials. Product pricing and raw material costs are both significantly influenced by semiconductor market conditions. Historically, during cyclical 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.

Inflation

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

Foreign Currency Exchange Rate Risk

The operation of the Company's subsidiaries in international markets results in exposure to movements in currency exchange rates. The potential of volatile foreign exchange rate fluctuations in the future could have a significant effect on our results of operations.

The principal currency involved is the Taiwan Dollar. Garmin Corporation, located in Shijr, Taiwan uses the local currency as its 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 operations, we have elected to retain most of our cash at our Taiwan subsidiary in U.S. dollars. As discussed above, the exchange rate decreased 0.3% during 2003 and resulted in a foreign currency loss of \$0.8 million. If the exchange rate increased by a similar percentage, a comparable foreign currency gain would be recognized.

Interest Rate Risk

As of March 29, 2003, we have interest rate risk in connection with our industrial revenue bonds that bear interest at a floating rate. Garmin International, Inc. entered into two interest rate swap agreements, one on July 1, 2000 (\$10.0 million notional) and another on February 6, 2001 (\$5.0 million notional), totaling \$15.0 million to modify the characteristics of its outstanding long-term debt from a floating rate to a fixed rate basis. These agreements involve the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreements without an exchange of the underlying principal amount. The estimated fair value of the interest swap agreements of \$0.6 million is the amount we would be required to pay to terminate the swap agreements at March 29, 2003. A 10% positive or negative change in the floating rate interest rates associated with the swaps would change the estimated fair value of the interest rate swap agreements to \$0.5 million (positive 10% change) or \$0.7 million (negative 10% change), respectively.

The Company's average outstanding debt during the 13-week period ended March 29, 2003 was approximately \$20.0 million. The average interest rate on debt during the quarter was approximately 1.37%. A 10% positive or negative change in the average interest rate during the quarter would have resulted in interest expense of \$0.25 million (positive 10% change) or \$0.30 million (negative 10% change), respectively. This compares to the actual interest expense of \$0.27 million during fiscal 2003.

Item 4. Controls and Procedures

Within 90 days prior to the filing date of this report, the Company's Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures and, based upon this evaluation, have concluded that the disclosure controls and procedures are effective.

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these internal controls subsequent to the completion of their evaluation.

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 14, 2003, 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

a. Exhibits

Exhibit 99.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

b. Reports on Form 8-K

The Company furnished under Item 9 of Form 8-K the Company's Form 8-K dated February 12, 2003 reporting the announcement of financial results for the fiscal quarter and year ended December 28, 2002.

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, 2003

Certification

I, Min H. Kao, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Garmin Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

By /s/ Min H. Kao

Min H. Kao
Co-Chairman and Chief
Executive Officer

Certification

I, Kevin Rauckman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Garmin Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

By /s/ Kevin Rauckman
 Kevin Rauckman
 Chief Financial Officer

INDEX TO EXHIBITS

Exhibit 99.1

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

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Garmin Ltd. (the "Company") does hereby certify that:

- (1) The Quarterly Report on Form 10-Q for the quarter ended March 29, 2003 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 14, 2003

/s/ Min H. Kao

Min H. Kao
Co-Chairman and Chief Executive Officer

Dated: May 14, 2003

/s/ Kevin Rauckman

Kevin Rauckman
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Garmin Ltd. and will be retained by Garmin Ltd. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.