

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

FORM 10-Q

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

For the quarterly period ended June 29, 2002

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.)

**5th Floor, Harbour Place, P.O. Box 30464 SMB,
103 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)

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 August 7, 2002:
Common Shares, \$.01 par value – 107,798,768

*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.

Garmin Ltd.
Form 10-Q
Quarter Ended June 29, 2002

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**Garmin Ltd.
Form 10-Q
Quarter Ended June 29, 2002**

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 29, 2001. 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 13 and 26-week periods ended June 29, 2002 are not necessarily indicative of the results to be expected for the full year 2002.

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

	(Unaudited)	June 29, 2002	December 29, 2001
Assets			
Current Assets:			
Cash and cash equivalents	\$146,575	\$192,842	
Marketable securities	156,752	40,835	
Accounts receivable, net	53,169	47,998	
Inventories	46,371	61,132	
Deferred income taxes	8,535	7,007	
Prepaid expenses and other current assets	<u>4,743</u>	<u>2,921</u>	
Total current assets	416,145	352,735	
Property and equipment, net	73,102	70,086	
Marketable securities	77,413	90,749	
Restricted cash	1,600	1,600	
Other assets, net	<u>28,448</u>	<u>16,985</u>	
Total assets	<u><u>\$596,708</u></u>	<u><u>\$532,155</u></u>	
Liabilities and Stockholder's Equity			
Current liabilities:			
Accounts payable	\$18,000	\$18,837	
Salaries and benefits payable	3,566	3,308	
Warranty reserve	4,138	4,777	
Other accrued expenses	10,172	5,485	
Income taxes payable	11,064	12,444	
Current portion of long-term debt	<u>1,334</u>	<u>4,177</u>	
Total current liabilities	48,274	49,028	
Long-term debt, less current portion	18,666	28,011	
Deferred income taxes	1,700	1,147	
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 - 107,774,918 in 2001 and 107,777,796 in 2002	1,078	1,078	
Additional paid-in capital	127,294	127,131	
Retained earnings	423,994	365,087	
Accumulated other comprehensive loss	<u>(24,298)</u>	<u>(39,327)</u>	
Total stockholders' equity	<u><u>528,068</u></u>	<u><u>453,969</u></u>	
Total liabilities and stockholders' equity	<u><u>\$596,708</u></u>	<u><u>\$532,155</u></u>	

The accompanying notes are an integral part of these financial statements.

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

	13-Weeks Ended		26-Weeks Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Net sales	\$122,838	\$103,634	\$223,694	\$189,168
Cost of goods sold	<u>55,176</u>	<u>48,584</u>	<u>101,540</u>	<u>88,200</u>
Gross profit	67,662	55,050	122,154	100,968
Selling, general and administrative expenses	11,099	9,801	22,338	19,060
Research and development expense	<u>7,476</u>	<u>6,765</u>	<u>15,449</u>	<u>13,061</u>
	<u>18,575</u>	<u>16,566</u>	<u>37,787</u>	<u>32,121</u>
Operating income	49,087	38,484	84,367	68,847
Other income (expense):				
Interest income	1,755	2,644	3,380	5,930
Interest expense	(346)	(459)	(717)	(1,227)
Foreign currency	(9,005)	8,419	(9,737)	7,316
Other	<u>94</u>	<u>(22)</u>	<u>165</u>	<u>101</u>
	<u>(7,501)</u>	<u>10,582</u>	<u>(6,909)</u>	<u>12,120</u>
Income before income taxes	41,586	49,066	77,458	80,967
Income tax provision	<u>9,440</u>	<u>12,463</u>	<u>18,551</u>	<u>20,565</u>
Net income	<u>\$32,146</u>	<u>\$36,603</u>	<u>\$58,906</u>	<u>\$60,402</u>
Net income per share				
Basic	\$0.30	\$0.34	\$0.55	\$0.56
Diluted	\$0.30	\$0.34	\$0.54	\$0.56
Weighted average common shares outstanding:				
Basic	107,788	108,242	107,782	108,242
Diluted	108,215	108,648	108,172	108,629

The accompanying notes are an integral part of these financial statements.

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

	26-Weeks Ended	
	June 29, 2002	June 30, 2001
Operating Activities:		
Net income	\$58,906	\$60,402
Depreciation & amortization	6,339	5,038
Provision for doubtful accounts	377	148
Deferred income taxes	(324)	(685)
Foreign currency transaction (gains) losses	610	(4,550)
Change in operating assets and liabilities:		
Accounts receivable	(5,009)	(22,398)
Inventories	16,700	15,451
Other current assets	(1,798)	(3,086)
Accounts payable	(1,515)	(9,122)
Other current liabilities	4,173	1,083
Income taxes	187	5,774
Net cash provided by operating activities	78,646	48,055
Investing activities:		
Purchases of property and equipment	(5,448)	(8,842)
Purchase of intangible assets	(12,876)	-
Purchase of marketable securities, net	(102,581)	-
Change in restricted cash	-	5,471
Other	(177)	(3,158)
Net cash used in investing activities	(121,082)	(6,529)
Financing activities:		
Payments on long term debt	(12,231)	(8,617)
Net cash provided by (used in) financing activities	(12,231)	(8,617)
Effect of exchange rate changes on cash	8,400	(5,863)
Net increase in cash	(46,267)	27,046
Cash at beginning of period	192,842	251,731
Cash at end of period	\$146,575	\$278,777

The accompanying notes are an integral part of these financial statements.

Garmin Ltd.

Notes to Condensed Consolidated Financial Statements (Unaudited)

June 29, 2002
(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 and 26-week periods ended June 29, 2002 are not necessarily indicative of the results that may be expected for the year ended December 28, 2002.

The condensed consolidated balance sheet at December 29, 2001 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 29, 2001.

The company's fiscal year is based on a 52-53 week period ending on the last Saturday of the calendar year. Therefore the financial results of certain fiscal years, and the associated 14-week quarters, will not be exactly comparable to the prior and subsequent 52-week fiscal years and the associated quarters having only 13 weeks. The quarters ended June 29, 2002 and June 30, 2001 both contain operating results for 13 weeks.

2. Recent Pronouncements

In August 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, and the accounting and reporting provisions of APB Opinion No. 30, *Reporting the Results of Operations*, for a disposal of a segment of a business. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, with earlier application encouraged. The Company adopted SFAS No. 144 as of December 30, 2001, and the adoption of the statement has not had any impact on the Company's financial position and results of operations.

In June 2001, the FASB issued SFAS No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 141 supersedes APB Opinion No. 16, *Business Combinations*, and FASB Statement No. 28, *Accounting for Preacquisition Contingencies of Purchased Enterprises*. This statement requires accounting for all business combination using the purchase method, and changes the criteria for recognizing intangible assets apart from goodwill. This statement is effective for all business combinations initiated after June 30, 2001. SFAS No. 142 supersedes APB Opinion No. 17, *Intangible Assets*, and addresses how purchased intangibles should be accounted for upon acquisition. The statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. All intangibles will be subject to periodic impairment testing and will be adjusted to fair value.

The Company adopted SFAS No. 142 beginning in the first quarter of 2002. Application of the nonamortization and impairment provisions of the statement has not had a significant impact to the financial position and results of operations.

3. Inventories

The components of inventory consist of the following:

	June 29, 2002	December 29, 2001
Raw materials	\$23,845	\$26,381
Work-in-process	9,256	9,582
Finished goods	18,788	34,723
Inventory reserves	<u>(5,518)</u>	<u>(9,554)</u>
Inventory, net of reserves	<u><u>\$46,371</u></u>	<u><u>\$61,132</u></u>

4. Long-Term Debt

On January 1, 1995, Garmin International, Inc. completed a \$9.5 million 30-year tax-exempt Industrial Revenue Bond issuance for the construction of its corporate headquarters located in Olathe, Kansas. Upon completion of the project in 1996, Garmin International retired bonds totaling \$0.2 million. As of May 1, 2002, Garmin International, Inc. purchased all \$9.3 million of its outstanding 1995 Series tax-exempt Industrial Revenue Bonds to further decrease its long-term debt. At June 29, 2002 and June 30, 2001, outstanding principal under the Bonds totaled \$0.0 million and \$9.3 million, respectively. Interest on the Bonds is payable monthly at a variable interest rate (1.95% and 3.9% at June 29, 2002 and June 30, 2001, respectively), which is adjusted weekly to the current market rate as determined by the remarketing agent for the Bonds with principal due upon maturity on January 1, 2025.

5. Stock Repurchase Plan

On September 24, 2001, Garmin announced that its Board of Directors approved a share repurchase program authorizing Garmin to purchase up to five million common shares of Garmin Ltd. as market and business conditions warrant. The purchases may be made from time to time on the open market or in negotiated transactions in compliance with Rule 10b-18 promulgated by the Securities and Exchange Commission. The timing and amounts of any purchases will be determined by Garmin's management depending on market conditions and other factors deemed relevant. The share repurchase authorization expires on December 31, 2002. As of June 29, 2002, Garmin had purchased a total of 595,200 shares pursuant to this share repurchase authorization at a total cost of \$9.8 million. All such purchased shares have been cancelled and now form part of the authorized but unissued capital of Garmin, since Cayman Islands law does not permit a company to hold its own shares. There were no shares repurchased during the 13 and 26-week periods ended June 29, 2002.

6. 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 shares, 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.

7. 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	
	June 29, 2002	June 30, 2001
Numerator:		
Numerator for basic and diluted net income per share – net income	<u>\$32,146</u>	<u>\$36,603</u>
Denominator (in thousands):		
Denominator for basic net income per share – weighted-average common shares	107,788	108,242
Effect of dilutive securities – employee stock options	<u>427</u>	<u>406</u>
Denominator for diluted net income per share – adjusted weighted-average common shares	<u>108,215</u>	<u>108,648</u>
Basic net income per share	<u>\$0.30</u>	<u>\$0.34</u>
Diluted net income per share	<u>\$0.30</u>	<u>\$0.34</u>
	26-Weeks Ended	
	June 29, 2002	June 30, 2001
Numerator:		
Numerator for basic and diluted net income per share – net income	<u>\$58,906</u>	<u>\$60,402</u>
Denominator (in thousands):		
Denominator for basic net income per share – weighted-average common shares	107,782	108,242
Effect of dilutive securities – employee stock options	<u>390</u>	<u>387</u>
Denominator for diluted net income per share – adjusted weighted-average common shares	<u>108,172</u>	<u>108,629</u>
Basic net income per share	<u>\$0.55</u>	<u>\$0.56</u>
Diluted net income per share	<u>\$0.54</u>	<u>\$0.56</u>

Certain options to purchase shares of common stock were outstanding during 2002 but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

8. Comprehensive Income

Comprehensive income is comprised of the following:

	13-Weeks Ended	
	June 29, 2002	June 30, 2001
	(in thousands)	
Net income	\$32,145	\$36,603
Translation adjustment	14,162	(12,582)
Change in fair value of effective portion of cash flow hedges, net of deferred taxes of \$39	(58)	---
Comprehensive income	<u>\$46,249</u>	<u>\$24,021</u>

	26-Weeks Ended	
	June 29, 2002	June 30, 2001
	(in thousands)	
Net income	\$58,906	\$60,402
Translation adjustment	15,124	(11,642)
Change in fair value of effective portion of cash flow hedges, net of deferred taxes of \$64	(95)	---
Comprehensive income	<u>\$73,935</u>	<u>\$48,760</u>

9. Segment Information

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

	13-Weeks Ended			
	June 29, 2002		June 30, 2001	
	Consumer	Aviation	Consumer	Aviation
(in thousands)				
Sales to external Customers	\$93,745	\$29,093	\$70,827	\$32,807
Income before Income taxes	\$29,566	\$12,020	\$31,729	\$17,337
<hr/>				
26-Weeks Ended				
	June 29, 2002		June 30, 2001	
	Consumer	Aviation	Consumer	Aviation
	(in thousands)			
Sales to external Customers	\$168,492	\$55,202	\$129,351	\$59,817
Income before Income taxes	\$54,714	\$22,744	\$51,735	\$29,232

Revenues and long-lived assets (property and equipment) by geographic area are as follows as of and for the 26-week periods ended June 29, 2002 and June 30, 2001:

	North America	Asia	Europe	Total
June 29, 2002				
Sales to external customers	\$161,377	\$9,103	\$53,214	\$223,694
Long-lived assets	40,332	32,277	493	73,102
June 30, 2001				
Sales to external customers	\$140,941	\$6,682	\$41,545	\$189,168
Long-lived assets	38,379	29,663	499	68,541

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

The discussion set forth below, as well as other portions of this Quarterly Report, contains statements concerning potential future events. Such forward-looking statements are based upon assumptions by our management, as of the date of this Quarterly Report, including assumptions about risks and uncertainties faced by the Company. Readers can identify these forward-looking statements by their use of such verbs as expects, anticipates, believes or similar verbs or conjugations of such verbs. If any of our assumptions prove incorrect or should unanticipated circumstances arise, our actual results could materially differ from those anticipated by such forward-looking statements. The differences could be caused by a number of factors or combination of factors including, but not limited to, those factors identified in the Company's Annual Report on Form 10-K for the year ended December 29, 2001. This report has been filed with the Securities and Exchange Commission (the "SEC" or the "Commission") in Washington, D.C. and can be obtained by contacting the SEC's public reference operations or obtaining it through the SEC's web site on the World Wide Web at <http://www.sec.gov>. Readers are strongly encouraged to consider those factors when evaluating any forward-looking statement concerning the Company. The Company will not update any forward-looking statements in this Quarterly Report to reflect future events or developments.

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto included in this Form 10-Q and the audited financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 29, 2001.

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	
	June 29, 2002	June 30, 2001
Net sales	100.0%	100.0%
Cost of goods sold	<u>44.9%</u>	<u>46.9%</u>
Gross profit	55.1%	53.1%
Selling, general and administrative	9.0%	9.5%
Research and development	<u>6.1%</u>	<u>6.5%</u>
Total operating expenses	<u>15.1%</u>	<u>16.0%</u>
Operating income	40.0%	37.1%
Other income (expense), net	<u>(6.1%)</u>	<u>10.2%</u>
Income before income taxes	33.9%	47.3%
Provision for income taxes	<u>7.7%</u>	<u>12.0%</u>
Net income	<u>26.2%</u>	<u>35.3%</u>

	26-Weeks Ended	
	June 29, 2002	June 30, 2001
Net sales	100.0%	100.0%
Cost of goods sold	<u>45.4%</u>	<u>46.6%</u>
Gross profit	54.6%	53.4%
Selling, general and administrative	10.0%	10.1%
Research and development	<u>6.9%</u>	<u>6.9%</u>
Total operating expenses	<u>16.9%</u>	<u>17.0%</u>
Operating income	37.7%	36.4%
Other income (expense), net	<u>(3.1%)</u>	<u>6.4%</u>
Income before income taxes	34.6%	42.8%
Provision for income taxes	<u>8.3%</u>	<u>10.9%</u>
Net income	<u>26.3%</u>	<u>31.9%</u>

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.

	13-Weeks Ended			
	June 29, 2002		June 30, 2001	
	Consumer	Aviation (in thousands)	Consumer	Aviation
Net sales	\$93,745	\$29,093	\$70,827	\$32,807
Cost of goods sold	<u>44,053</u>	<u>11,123</u>	<u>36,714</u>	<u>11,870</u>
Gross profit	49,692	17,970	34,113	20,937
Operating expenses:				
Selling, general and administrative	8,590	2,509	7,080	2,721
Research and development	<u>4,247</u>	<u>3,229</u>	<u>4,374</u>	<u>2,391</u>
Total operating expenses	<u>12,837</u>	<u>5,738</u>	<u>11,454</u>	<u>5,112</u>
Operating income	36,855	12,232	22,659	15,825
Other income (expense), net	<u>(7,289)</u>	<u>(212)</u>	<u>9,070</u>	<u>1,512</u>
Income before income taxes	<u>\$29,566</u>	<u>\$12,020</u>	<u>\$31,729</u>	<u>\$17,337</u>

	26-Weeks Ended			
	June 29, 2002		June 30, 2001	
	Consumer	Aviation (in thousands)	Consumer	Aviation
Net sales	\$168,492	\$55,202	\$129,351	\$59,817
Cost of goods sold	<u>80,134</u>	<u>21,406</u>	<u>65,265</u>	<u>22,935</u>
Gross profit	88,358	33,796	64,086	36,882
Operating expenses:				
Selling, general and administrative	17,490	4,848	13,737	5,323
Research and development	<u>9,222</u>	<u>6,227</u>	<u>8,609</u>	<u>4,452</u>
Total operating expenses	<u>26,712</u>	<u>11,075</u>	<u>22,346</u>	<u>9,775</u>
Operating income	61,646	22,721	41,740	27,107
Other income (expense), net	<u>(6,932)</u>	<u>23</u>	<u>9,995</u>	<u>2,125</u>
Income before income taxes	<u>\$54,714</u>	<u>\$22,744</u>	<u>\$51,735</u>	<u>\$29,232</u>

Comparison of 13-Weeks Ended June 29, 2002 and June 30, 2001

Net Sales

Net sales increased \$19.2 million, or 18.5%, to \$122.8 million for the 13-week period ended June 29, 2002, from \$103.6 million for the 13-week period ended June 30, 2001. The increase for the 13-week period ended June 29, 2002 was primarily due to the success of the new marine and automotive products that were introduced during the last 18 months and overall demand for our consumer products associated with a strong marine selling season during the quarter. Sales from our consumer products accounted for 76.3% of net sales for the first quarter of 2002 compared to 68.3% during the first quarter of 2001. Sales from our aviation products accounted for 23.7% for the first quarter of 2002 compared to 31.7% during the first quarter of 2001. Total consumer and aviation units increased 8.7% to 388,623 in 2002 from 357,454 in 2001.

Net sales for the consumer segment increased \$22.9 million, or 32.4%, to \$93.7 million for the 13-week period ended June 29, 2002, from \$70.8 million for the 13-week period ended June 30, 2001. The increase for the 13-week period ended June 29, 2002 was primarily due to the success of the new marine and automotive products introduced during the last 18 months and overall demand for our consumer products associated with a strong marine selling season during the quarter.

Net sales for the aviation segment decreased \$3.7 million, or 11.3%, to \$29.1 million for the 13-week period ended June 29, 2002, from \$32.8 million for the 13-week period ended June 30, 2001. The decrease for the 13-week period ended June 29, 2002 was primarily due to the remaining economic effects of the terrorist attacks that occurred on September 11, 2001. The aviation segment exhibited a sequential revenue increase of \$3.0 million, or 11.4%, to \$29.1 million during the quarter compared to \$26.1 million during the first quarter of fiscal year 2002. We believe that this sequential revenue increase in our aviation segment is a signal of a continued slow economic recovery occurring in the general aviation market.

Gross Profit

Gross profit increased \$12.6 million, or 22.9%, to \$67.7 million for the 13-week period ended June 29, 2002, from \$55.1 million for the 13-week period ended June 30, 2001. This increase was primarily attributable to an increase in revenues due to the success of the new products that were introduced during the last 18 months, improved manufacturing efficiencies, and a reduction of raw material costs. Gross profit as a percentage of net sales increased 200 basis points to 55.1% for the 13-week period ended June 29, 2002 compared to 53.1% for the 13-week period ended June 30, 2001.

Gross profit for the consumer segment increased \$15.6 million, or 45.6%, to \$49.7 million for the 13-week period ended June 29, 2002, from \$34.1 million for the 13-week period ended June 30, 2001. This increase is primarily attributable to the increase in consumer segment revenue, improved manufacturing efficiencies on many of our new products introduced during the last 18 months, and a reduction of raw material costs. Gross profit as a percentage of net sales increased 480 basis points to 53.0% for the 13-week period ended June 29, 2002 compared to 48.2% for the 13-week period ended June 30, 2001.

Gross profit for the aviation segment decreased \$2.9 million, or 14.2%, to \$18.0 million for the 13-week period ended June 29, 2002, from \$20.9 million for the 13-week period ended June 30, 2001. This decrease is associated with the decline in revenues in our aviation segment during the quarter. Gross profit as a percentage of net sales decreased to 61.8% for the 13-week period ended June 29, 2002 from 63.8% for the 13-week period ended June 30, 2001. This decrease as a percentage of net sales was primarily due to product mix as we sold fewer of our higher margin aviation handheld units during 2002 when compared to 2001.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$1.3 million, or 13.2%, to \$11.1 million (9.0% of net sales) for the 13-week period ended June 29, 2002, from \$9.8 million (9.5% of net sales) for the 13-week period ended June 30, 2001. Selling, general and administrative expenses increased \$1.5 million, or 21.3%, in the consumer segment and decreased \$0.2 million, or 7.8%, in the aviation segment. The increase in expense was primarily attributable to increases in employment generally across the organization, increased advertising costs (up 11%) associated with new product releases, increased administrative expenses due to marketing support and airport infrastructure expenses associated with our 25,000 sq.ft. flight test and certification facility located at New Century Airport near our Olathe, Kansas facility. Increased selling, general and administrative expenses within the aviation segment were offset by a general decrease due to lower revenue within the segment.

Research and Development Expense

Research and development expenses increased \$0.7 million, or 10.5%, to \$7.5 million (6.1% of net sales) for the 13-week period ended June 29, 2002, from \$6.8 million (6.5% of net sales) for the 13-week period ended June 30, 2001. Research and development expenses decreased \$0.1 million, or 2.9%, in the consumer segment and increased \$0.8 million, or 35.0%, in the aviation segment. The decrease in our consumer segment research and development was due to the timing of program costs (non-staff expense) across several products in development. The increase in our aviation segment research and development was primarily attributable to continued costs associated with our future integrated cockpit project. We added 27 new engineering personnel to our staff during the quarter as a result of our continued emphasis on product innovation.

Operating Income

Operating income for the 13-week period ended June 29, 2002 increased to \$49.1 million, or 27.6% from \$38.5 million for the 13-week period ended June 30, 2001. Operating income as a percentage of net sales increased to 40.0% for the 13-week period ended June 29, 2002, from 37.1% for the 13-week period ended June 30, 2001 as a result of strong consumer sales and increased gross profits, primarily within the consumer segment.

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 June 29, 2002 amounted to a \$7.5 million loss compared to other income of \$10.6 million for the 13-week period ended June 30, 2001. Interest income for the 13-week period ended June 29, 2002 amounted to \$1.8 million compared to \$2.6 million for the 13-week period ended June 30, 2001, the decrease being attributable to the reduction in interest rates during the last 12 months. The average taxable equivalent interest rate return on invested cash during the quarter was 2.2% compared to 4.0% during the second fiscal quarter of 2001. Interest expense decreased to \$0.3 million for the 13-week period ended June 29, 2002 from \$0.5 million for the 13-week period ended June 30, 2001 due to the retirement of debt associated with our Taiwan facility, the purchase of our 1995 Olathe industrial revenue bonds, and a lower interest rate environment during the second quarter of fiscal 2002.

We recognized a foreign currency exchange loss of \$9.0 million for the 13-week period ended June 29, 2002 compared to a gain of \$8.4 million for the 13-week period ended June 30, 2001. The \$9.0 million loss was due to the weakness of the U.S. Dollar compared to the Taiwan Dollar during the second quarter of fiscal 2002, when the exchange rate decreased to 33.56 TD/USD at June 29, 2002 from 35.00 TD/USD at March 30, 2002. The \$8.4 million gain was due to the strength of the U.S. Dollar compared to the Taiwan Dollar during the second quarter of fiscal 2001, when the exchange rate increased to 34.50 TD/USD at June 30, 2001 from 32.84 TD/USD at March 31, 2001.

Income Tax Provision

Income tax expense decreased by \$3.1 million, to \$9.4 million, for the 13-week period ended June 29, 2002 from \$12.5 million for the 13-week period ended June 30, 2001 due to our lower taxable income. The effective tax rate decreased to 22.7% during the 13-week period ended June 29, 2002 from 25.4% during 13-week period ended June 30, 2001 due to additional tax incentives within our Taiwan subsidiary during fiscal 2002.

Net Income

As a result of the above, net income decreased 12.2% for the 13-week period ended June 29, 2002 to \$32.1 million compared to \$36.6 million for the 13-week period ended June 30, 2001.

Comparison of 26-Weeks Ended June 29, 2002 and June 30, 2001

Net Sales

Net sales increased \$34.5 million, or 18.3%, to \$223.7 million for the 26-week period ended June 29, 2002, from \$189.2 million for the 26-week period ended June 30, 2001. The increase for the 26-week period ended June 29, 2002 was primarily due to the success of the new marine and automotive products that were introduced during the last 18 months and overall demand for our consumer products associated with a strong marine selling season during the first half of fiscal 2002. Sales from our consumer products accounted for 75.3% of net sales for the first half of 2002 compared to 68.4% during the first half of 2001. Sales from our aviation products accounted for 24.7% for the first half of 2002 compared to 31.7% during the first quarter of 2001. Total consumer and aviation units increased 3.0% to 701,651 in 2002 from 681,546 in 2001.

Net sales for the consumer segment increased \$39.1 million, or 30.3%, to \$168.5 million for the 26-week period ended June 29, 2002, from \$129.4 million for the 26-week period ended June 30, 2001. The increase for the 26-week period ended June 29, 2002 was primarily due to the success of the new marine and automotive products introduced during the last 18 months and overall demand for our consumer products associated with a strong marine selling season during the first half of fiscal 2002.

Net sales for the aviation segment decreased \$4.6 million, or 7.7%, to \$55.2 million for the 26-week period ended June 29, 2002, from \$59.8 million for the 26-week period ended June 30, 2001. The decrease for the 26-week period ended June 29, 2002 was primarily due to the remaining economic effects of the terrorist attacks that occurred on September 11, 2001.

Gross Profit

Gross profit increased \$21.2 million, or 21.0%, to \$122.2 million for the 26-week period ended June 29, 2002, from \$101.0 million for the 26-week period ended June 30, 2001. This increase was primarily attributable to an increase in revenues due to the success of the new products that were introduced during the last 18 months, improved manufacturing efficiencies, and a reduction of raw material costs. Gross profit as a percentage of net sales increased 120 basis points to 54.6% for the 26-week period ended June 29, 2002 compared to 53.4% for the 26-week period ended June 30, 2001.

Gross profit for the consumer segment increased \$24.3 million, or 37.9%, to \$88.4 million for the 26-week period ended June 29, 2002, from \$64.1 million for the 26-week period ended June 30, 2001. This increase is primarily attributable to the increase in consumer segment revenue, improved manufacturing efficiencies on many of our new products introduced during the last 18 months, and a reduction of raw material costs. Gross profit as a percentage of net sales increased 290 basis points to 52.4% for the 26-week period ended June 29, 2002 compared to 49.5% for the 26-week period ended June 30, 2001.

Gross profit for the aviation segment decreased \$3.1 million, or 8.4%, to \$33.8 million for the 26-week period ended June 29, 2002, from \$36.9 million for the 26-week period ended June 30, 2001. This decrease is associated with the decline in revenues in our aviation segment during the quarter. Gross profit as a percentage of net sales decreased 50 basis points to 61.2% for the 26-week period ended June 29, 2002 from 61.7% for the 26-week period ended June 30, 2001. This decrease as a percentage of net sales was primarily due to product mix as we sold fewer of our higher margin aviation handheld units during 2002 when compared to 2001.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$3.3 million, or 17.2%, to \$22.3 million (10.0% of net sales) for the 26-week period ended June 29, 2002, from \$19.1 million (10.1% of net sales) for the 26-week period ended June 30, 2001. Selling, general and administrative expenses increased \$3.8 million, or 27.3%, in the consumer segment and decreased \$0.5 million, or 8.9%, in the aviation segment. The increase in expense was primarily attributable to increases in employment generally across the organization, increased advertising costs (up 19%) associated with new product releases, increased administrative expenses due to marketing support and airport infrastructure expenses associated with our 25,000 sq.ft. flight test and certification facility located at New Century Airport near our Olathe, Kansas facility. Increased selling, general and administrative expenses within the aviation segment were offset by a general decrease due to lower revenue within the segment.

Research and Development Expense

Research and development expenses increased \$2.4 million, or 18.3%, to \$15.4 million (6.9% of net sales) for the 26-week period ended June 29, 2002, from \$13.1 million (6.9% of net sales) for the 26-week period ended June 30, 2001. Research and development expenses increased \$0.6 million, or 7.1%, in the consumer segment and \$1.8 million, or 39.9%, in the aviation segment. The increase in expense was primarily due to the continued development of our future integrated cockpit within our aviation segment and the addition of 56 new engineering personnel to our staff within the last 12 months as a result of our continued emphasis on product innovation.

Operating Income

Operating income for the 26-week period ended June 29, 2002 increased to \$84.4 million, or 22.5% from \$68.8 million for the 26-week period ended June 30, 2001. Operating income as a percentage of net sales increased to 37.7% for the 26-week period ended June 29, 2002, from 36.4% for the 26-week period ended June 30, 2001 as a result of strong consumer sales and increased gross profits, primarily within the consumer segment.

Other Income (Expense)

Other income for the 26-week period ended June 29, 2002 amounted to a \$6.9 million loss compared to other income of \$12.1 million for the 26-week period ended June 30, 2001. Interest income for the 26-week period ended June 29, 2002 amounted to \$3.4 million compared to \$5.9 million for the 26-week period ended June 30, 2001, the decrease being attributable to the reduction in interest rates during the last 12 months. The average taxable equivalent interest rate return on invested cash during the 26-week period ended June 29, 2002 was 2.2% compared to 4.5% during the 26-week period ended June 30, 2001. Interest expense decreased to \$0.7 million for the 26-week period ended June 29, 2002 from \$1.2 million for the 26-week period ended June 30, 2001, due to the retirement of debt associated with our Taiwan facility, the purchase of our 1995 Olathe industrial revenue bonds, and a lower interest rate environment during the last 12 months.

We recognized a foreign currency exchange loss of \$9.7 million for the 26-week period ended June 29, 2002 compared to a gain of \$7.3 million for the 26-week period ended June 30, 2001. The \$9.7 million loss was due to the weakness of the U.S. Dollar compared to the Taiwan Dollar during the 26-week period ended June 29, 2002, when the exchange rate decreased to 33.56 TD/USD at June 29, 2002 from

35.17 TD/USD at December 29, 2001. The \$7.3 million gains was due to the strength of the U.S. Dollar compared to the Taiwan Dollar during the 26-week period ended June 30, 2001, when the exchange rate increased to 34.50 TD/USD at June 30, 2001 from 33.01 TD/USD at December 30, 2000.

Income Tax Provision

Income tax expense decreased by \$2.0 million, to \$18.6 million, for the 26-week period ended June 29, 2002 from \$20.6 million for the 26-week period ended June 30, 2001 due to our lower taxable income. The effective tax rate decreased to 24.0% during the 26-week period ended June 29, 2002 from 25.4% during the 26-week period ended June 30, 2001 due to additional tax incentives within our Taiwan subsidiary during fiscal 2002.

Net Income

As a result of the above, net income decreased 2.5% for the 26-week period ended June 29, 2002 to \$58.9 million compared to \$60.4 million for the 26-week period ended June 30, 2001.

Liquidity and Capital Resources

Net cash generated by operating activities was \$78.6 million for the 26-week period ended June 29, 2002 compared to \$48.1 million for the 26-week period ended June 30, 2001. 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 did experience a \$16.7 million further reduction in inventory at June 29, 2002 when compared to fiscal year-end December 29, 2001 due to reduction in finished goods inventory associated with strong customer demand during the quarter. We increased inventory levels at the end of fiscal year 2000 due partially to industry shortages of certain raw materials. These raw material shortages have since normalized and we believe that it is not necessary at this time to carry an unusual level of raw material inventory.

Cash flow from investing activities during the 26-week period ending June 29, 2002 was a \$121.1 million use of cash. Cash flow used in investing activities principally relates to \$5.4 million in capital expenditures, the purchase of \$12.9 million of intangible assets, and the net purchase of \$102.6 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 26-week period ended June 29, 2002 was approximately 2.2%.

Cash flow from financing activities during the period was a \$12.2 million use of cash due to the retirement of debt associated with our Taiwan facility and our 1995 industrial revenue bond issuance.

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 next 12 months.

Contractual Obligations and Commercial Commitments

On March 23, 2000, Garmin International, Inc. completed a \$20.0 million 20-year Taxable Industrial Revenue Bond issuance for the expansion of its Olathe, Kansas facility. At June 29, 2002 and June 30, 2001, outstanding principal under the 2000 Bonds totaled \$20.0 million. Interest on the 2000 Bonds is payable monthly at a variable interest rate (1.95% and 3.9% at June 29, 2002 and June 30, 2001, respectively), 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 the option of requiring Garmin International, Inc. to establish a sinking fund related to the principal balance outstanding on the Bonds, which it had not exercised through June 29, 2002. The letter of credit is secured by a mortgage on all assets financed with the proceeds of the Bonds.

On January 1, 1995, Garmin International, Inc. completed a \$9.5 million 30-year tax-exempt Industrial Revenue Bond issuance for the construction of its corporate headquarters located in Olathe, Kansas. Upon completion of the project in 1996, Garmin International retired bonds totaling \$0.2 million. As of May 1, 2002, Garmin International, Inc. purchased all \$9.3 million of its outstanding 1995 Series tax-exempt Industrial Revenue Bonds to further decrease its long-term debt. At June 29, 2002 and June 30, 2001, outstanding principal under the Bonds totaled \$0.0 million and \$9.3 million, respectively. Interest on the Bonds is payable monthly at a variable interest rate (1.95% and 3.9% at June 29, 2002 and June 30, 2001, respectively), which is adjusted weekly to the current market rate as determined by the remarketing agent for the Bonds with principal due upon maturity on January 1, 2025.

Our reimbursement agreements 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 agreements.

During 1999, Garmin Corporation borrowed \$18.0 million to finance the purchase of land and a new manufacturing facility in Shijr, Taiwan. The remaining debt associated with this facility was retired during the first quarter of fiscal 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 during the year to retire a portion or all of its long-term debt.

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. We generally have not been significantly affected by foreign exchange fluctuations because, until recently, the exchange rate between the Taiwan Dollar and the U.S. Dollar has proven to be relatively stable. However, within the last two years we have experienced significant foreign currency gains and losses due to fluctuations in the value 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 principal foreign currency resulting in foreign currency exchange rate risk is the Taiwan Dollar. Garmin Corporation, located in Shijr, 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 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 4.1% during the second quarter of fiscal 2002 and resulted in a foreign currency loss of \$9.0 million. If the exchange rate increased by a similar percentage, a comparable foreign currency gain would be recognized.

Interest Rate Risk

As of June 29, 2002, 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) and another on February 6, 2001 (\$5.0 million), 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 \$0.8 million is the amount we would be required to pay to terminate the swap agreements at June 29, 2002. A 10% positive or negative change in the floating counterparty interest rates associated with the swaps would change the estimated fair value of the interest rate swap agreements to \$0.7 million (positive 10% change) or \$0.9 million (negative 10% change), respectively.

The Company's average outstanding debt during the 13-week period ended June 29, 2002 was approximately \$23.1 million. The average interest rate on debt during the quarter was approximately 4.6%. A 10% positive or negative change in the average interest rate during the quarter would have resulted in interest expense of \$0.4 million (positive 10% change) or \$0.2 million (negative 10% change), respectively. This compares to the actual interest expense of \$0.3 million during the second quarter of fiscal 2002.

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 August 12, 2002, 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

The Company held its Annual General Meeting of Shareholders on June 7, 2002. Proxies for the meeting were solicited pursuant to Regulation 14A. There was no solicitation in opposition to the Board of Directors' nominees for election as directors as listed in the Proxy Statement and all such nominees were elected. Listed below is each matter voted on at the Company's Annual General Meeting. All such matters were approved. A total of 106,299,859 common shares or approximately 99% of the common shares outstanding on the record date, were present in person or by proxy at the Annual General Meeting. These shares were voted as follows:

1) Election of Two Directors of the Company:

<u>Nominee</u>	<u>For</u>	<u>Withheld</u>
Donald H. Eller	106,227,360	72,499
Ruey-Jeng Kao	106,196,587	103,272

The terms of office of Directors Gary L. Burrell and Min H. Kao will continue until the Annual General Meeting of Shareholders in 2003. The terms of office of Directors Gene M. Betts and Thomas A. McDonnell will continue until the Annual General Meeting of Shareholders in 2004. The terms of office of Directors Donald H. Eller and Ruey-Jeng Kao will continue until the Annual General Meeting of Shareholders in 2005.

2) Appointment of Ernst & Young LLP as Independent Auditors for the 2002 Fiscal Year at Remuneration to be Approved by the Board of Directors:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker non-votes</u>
106,156,330	136,062	7,467	N/A

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

Exhibit 99.1 Certification 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

No reports on Form 8-K were filed during the three months ended June 29, 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: August 12, 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 June 29, 2002 (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: August 12, 2002

/s/ Gary L. Burrell

Gary L. Burrell
Co-Chairman and Co-Chief Executive Officer

Dated: August 12, 2002

/s/ Min H. Kao

Min H. Kao
Co-Chairman and Co-Chief Executive Officer

Dated: August 12, 2002

/s/ Kevin Rauckman

Kevin Rauckman
Chief Financial Officer

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.