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

FORM 10-Q

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

For the quarterly period ended September 29, 2001

or

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

For the transition period from______ to ______

Commission file number 0-31983

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

Cayman Islands (State or other jurisdiction of incorporation or organization)	**98-0229227** (I.R.S. Employer identification no.)
P.O. Box 30464SMB, **5th Floor, Harbour Place** **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***

P.O. Box 30464SMB,
113 South Church Street
George Town, Grand Cayman, Cayman Islands

(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 [Ö] NO [ ]

Number of shares outstanding of the Company's common shares as of November 7, 2001:
Common Shares, $.01 par value – 107,646,911

*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.
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The Company’s registered trademarks include, without limitation, eTrex and the Company’s trademarks include, without limitation, GNS 530 referred to in this Report.

Garmin Ltd.
Form 10-Q
Quarter Ended September 29, 2001

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 30, 2000. Additionally, the Condensed Consolidated Financial Statements should be read in conjunction with Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Form 10-Q.

The results of operations for the 13 and 39-week periods ended September 29, 2001 are not necessarily indicative of the results to be expected for the full year 2001.

Garmin Ltd. And Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands, except per share information)

	(Unaudited) September 29, 2001	December 30, 2000
Assets		
Current Assets:		
Cash and cash equivalents	$313,269	$251,731
Accounts receivable, net	43,190	32,719
Inventories	65,840	89,855
Deferred income taxes	11,719	12,293
Prepaid expenses and other current assets	5,447	1,423
Total current assets	439,465	388,021
Property and equipment, net	68,790	64,704
Other assets, net	15,044	10,622
Total assets	$523,299	$463,347
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$14,662	$22,496
Other accrued expenses	14,212	13,163
Income taxes payable	8,367	5,795
Current portion of long-term debt	-	587
Total current liabilities	37,241	42,041
Long-term debt, less current portion	35,544	46,359
Deferred income taxes	8,216	9,616
Other liabilities	1,021	92
Stockholders' equity:		
Preferred stock, $1.00 par value, 1,000,000 authorized, none issued	-	-
Common stock, $0.01 par value, 500,000,000 shares authorized: issued and outstanding shares - 108,232,111 (108,242,111 at December 30, 2000)	1,082	1,082
Additional paid-in capital	133,925	133,925
Retained earnings	338,395	253,140
Accumulated other comprehensive loss	(32,125)	(22,908)
Total stockholders' equity	441,277	365,239
Total liabilities and stockholders' equity	$523,299	$463,347

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		**39-Weeks Ended**	
	September 29, 2001	**September 23, 2000**	**September 29, 2001**	**September 23, 2000**
Net sales	$86,930	$89,539	$276,098	$260,079
Cost of goods sold	39,201	40,508	127,401	119,110
Gross profit	47,729	49,031	148,697	140,969
Selling, general and administrative expenses	9,663	8,603	28,723	23,678
Research and development expense	7,306	5,755	20,367	15,474
	16,969	14,358	49,090	39,152
Operating income	30,760	34,673	99,607	101,817
Other income (expense):				
Interest income	3,018	1,893	8,948	4,427
Interest expense	(522)	(863)	(1,749)	(2,325)
Foreign currency	335	1,631	7,651	(1,398)
Other	(89)	(301)	12	(353)
	2,742	2,360	14,862	351
Income before income taxes	33,502	37,033	114,469	102,168
Income tax provision	8,501	8,741	29,066	24,116
Net income	$25,001	$28,292	$85,403	$78,052
Net income per share:				
Basic	$0.23	$0.28	$0.79	$0.78
Diluted	$0.23	$0.28	$0.79	$0.78
Weighted average common shares outstanding:				
Basic	108,242	100,000	108,242	100,000
Diluted	108,599	100,000	108,621	100,000

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

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

	39-Weeks Ended	
	September 29, 2001	**September 23, 2000**
Operating Activities:		
Net income	$85,403	$78,052
Depreciation and amortization	6,793	5,209
Loss (gain) on property, plant and equipment	(45)	709
Provision for doubtful accounts	229	241
Deferred income taxes	(685)	(967)
Foreign currency translation	(2,611)	-
Accounts receivable	(11,679)	(6,665)
Inventories	23,014	(27,942)
Prepaid assets and other current assets	(3,179)	(933)
Accounts payable	(7,948)	7,504
Other current liabilities	1,726	1,603
Income taxes	4,599	4,854
Net cash provided by operating activities	95,617	61,665
Investing activities:		
Purchases of property and equipment	(10,823)	(16,408)
Proceeds from asset sale	-	5,854
Change in restricted cash	5,920	(9,085)
Other	(12,112)	(3,397)
Net cash used in investing activities	(17,015)	(23,036)
Financing activities:		
Proceeds from issuance of long term debt	-	20,000
Payments on long term debt	(11,006)	(5)
Dividends	-	(28,954)
Repurchase of common stock	(150)	-
Net cash provided by (used in) financing activities	(11,156)	(8,959)
Effect of exchange rate changes on cash	(5,908)	2,219
Net increase in cash	61,538	31,889
Cash at beginning of period	251,731	104,079
Cash at end of period	$313,269	$135,968

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

Garmin Ltd.

Notes to Condensed Consolidated Financial Statements (unaudited)

September 29, 2001
(In thousands, except share and per share information)

1. **Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the 13 and 39-week periods ended September 29, 2001 are not necessarily indicative of the results that may be expected for the year ended December 29, 2001.

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

The company's fiscal year is based on a 52-53 week period ending on the last Saturday of the calendar year. Therefore the financial results of certain fiscal years, and the associated 14-week quarters, will not be exactly comparable to the prior and subsequent 52-week fiscal years and the associated quarters having only 13 weeks. The quarters ended September 29, 2001 and September 23, 2000 both contain operating results for 13 weeks.

2. **Inventories**

The components of inventory consist of the following:

	September 29, 2001	December 30, 2000
Raw materials	$28,998	$39,914
Work-in-process	7,325	8,116
Finished goods	29,517	41,825
Inventory, net of reserves	$65,840	$89,855

3. **Stock Repurchase Plan**

On September 23, 2001, the Company's Board of Directors authorized the Company to purchase up to 5.0 million 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 the Securities and Exchange Commission's Rule 10b-18. The timing and amounts of any purchases will be determined by the Company's management depending on market conditions and other factors deemed relevant. The share repurchase authorization expires on December 31, 2002.

During the 13-week period ended September 29, 2001, the Company purchased 10,000 shares under the authorized stock repurchase plan. Under Cayman Islands law, the Company is not allowed to hold these shares in treasury. Therefore, the shares repurchased during the period have been retired.

4. **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. All share and per share information included in the accompanying condensed consolidated financial statements has been adjusted to give retroactive effect to the common stock split.

5. **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	
	September 29, 2001	**September 23, 2000**
Numerator:		
Numerator for basic and diluted net income per share – net income	$25,001	$28,292
Denominator:		
Denominator for basic net income per share – weighted-average common shares	108,242	100,000
Effect of dilutive securities – employee stock options	357	–
Denominator for diluted net income per share – adjusted weighted-average common shares	108,599	100,000
Basic net income per share	$0.23	$0.28
Diluted net income per share	$0.23	$0.28

	39-weeks Ended	
	September 29, 2001	September 23, 2000
Numerator:		
Numerator for basic and diluted net income per share – net income	$85,403	$78,052
Denominator:		
Denominator for basic net income per share – weighted-average common shares	108,242	100,000
Effect of dilutive securities – employee stock options	379	–
Denominator for diluted net income per share – adjusted weighted-average common shares	108,621	100,000
Basic net income per share	$0.79	$0.78
Diluted net income per share	$0.79	$0.78

6. **Comprehensive Income**

Comprehensive income is comprised of the following:

	39-weeks Ended	
	September 29, 2001	September 23, 2000
	(in thousands)	
Net income	$85,403	$78,052
Translation adjustment	(9,217)	2,198
Comprehensive income	$76,186	$80,250

7. **Segment Information**

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

	13-weeks Ended			
	September 29, 2001		September 23, 2000	
	Consumer	Aviation	Consumer	Aviation
	(in thousands)			
Sales to external customers	$64,165	$22,765	$58,923	$30,616
Income before income taxes	$23,442	$10,060	$22,828	$14,205

	39-weeks Ended			
	September 29, 2001		September 23, 2000	
	Consumer	Aviation	Consumer	Aviation
	(in thousands)			
Sales to external customers	$193,516	$82,582	$173,322	$86,757
Income before income taxes	$75,177	$39,292	$63,834	$38,334

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

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

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

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

Results of Operations

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

	13-weeks Ended	
	September 29, 2001	September 23, 2000
Net sales	100.0%	100.0%
Cost of goods sold	45.1%	45.2%
Gross profit	54.9%	54.8%
Selling, general and administrative	11.1%	9.6%
Research and development	8.4%	6.4%
Total operating expenses	19.5%	16.0%
Operating income	35.4%	38.8%
Other income, net	3.2%	2.6%
Income before income taxes	38.6%	41.4%
Provision for income taxes	9.8%	9.8%
Net income	28.8%	31.6%

	39-weeks Ended	
	September 29, 2001	September 23, 2000
Net sales	100.0%	100.0%
Cost of goods sold	46.1%	45.8%
Gross profit	53.9%	54.2%
Selling, general and administrative	10.4%	9.1%
Research and development	7.4%	5.9%
Total operating expenses	17.8%	15.0%
Operating income	36.1%	39.2%
Other income, net	5.3%	0.1%
Income before income taxes	41.4%	39.3%
Provision for income taxes	10.5%	9.3%
Net income	30.9%	30.0%

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			
	September 29, 2001		September 23, 2000	
	Consumer	**Aviation**	**Consumer**	**Aviation**
	(in thousands)			
Net sales	$64,165	$22,765	$58,923	$30,616
Cost of goods sold	30,796	8,405	28,017	12,491
Gross profit	33,369	14,360	30,906	18,125
Operating expenses:				
Selling, general and administrative	7,306	2,357	6,142	2,461
Research and development	4,683	2,623	3,887	1,868
Total operating expenses	11,989	4,980	10,029	4,329
Operating income	21,380	9,380	20,877	13,796
Other income (expense), net	2,062	680	1,951	409
Income before income taxes	$23,442	$10,060	$22,828	$14,205

	39-weeks Ended			
	September 29, 2001		September 23, 2000	
	Consumer	**Aviation**	**Consumer**	**Aviation**
	(in thousands)			
Net sales	$193,516	$82,582	$173,322	$86,757
Cost of goods sold	96,061	31,340	83,102	36,008
Gross profit	97,455	51,242	90,220	50,749
Operating expenses:				
Selling, general and administrative	21,042	7,681	17,122	6,556
Research and development	13,292	7,075	9,983	5,491
Total operating expenses	34,334	14,756	27,105	12,047
Operating income	63,121	36,486	63,115	38,702
Other income (expense), net	12,056	2,806	719	(368)
Income before income taxes	$75,177	$39,292	$63,834	$38,334

Comparison of 13-Weeks Ended September 29, 2001 and September 23, 2000

Net Sales

Net sales decreased $2.6 million, or 2.9%, to $86.9 million for the 13-week period ended September 29, 2001, from $89.5 million for the 13-week period ended September 23, 2000. The decrease for the 13-week period ended September 29, 2001 was primarily due to overall declining economic conditions and the negative impact on our aviation segment from the resulting events following the terrorist attacks that occurred on September 11, 2001. Sales from our consumer products accounted for 73.8% of net sales for the third quarter of 2001 compared to 65.8% during the third quarter of 2000. Sales from our aviation products accounted for 26.2% for the third quarter of 2001 compared to 34.2% during the third quarter of 2000. Total consumer and aviation units increased 4.4% to 311,000 in 2001 from 298,000 in 2000.

Net sales for the consumer segment increased $5.2 million, or 8.9%, to $64.2 million for the 13-week period ended September 29, 2001, from $58.9 million for the 13-week period ended September 23, 2000. The increase for the 13-week period ended September 29, 2001 was primarily due to the 22 new products introduced in the first nine months of 2001 and overall demand for our consumer products as total units were up 5.9%.

Net sales for the aviation segment decreased $7.9 million, or 25.6%, to $22.8 million for the 13-week period ended September 29, 2001, from $30.6 million for the 13-week period ended September 23, 2000. The decrease for the 13-week period ended September 29, 2001 was primarily due to declining economic conditions and the shut down of U.S. airspace as a result of the terrorist attacks that occurred on September 11, 2001. In addition to the shut down of U.S. airspace, the general aviation industry was further impacted by the additional restrictions implemented by the Federal Aviation Administration (FAA) on those flights that fly utilizing Visual Flight Rules (VFR). The FAA restricted VFR flight inside 30 enhanced Class B (a 20-25 mile radius around the 30 largest metropolitan areas in the country) airspace areas. The Aircraft Owners and Pilots Association (AOPA) estimated that these restrictions affected approximately 41,800 general aviation aircraft based at 282 airports inside the 30 enhanced Class B airspace areas. The AOPA estimates that approximately 90% of all general aviation flights are conducted VFR, and that only 15% of general aviation pilots are current to fly utilizing Instrument Flight Rules (IFR). These restrictions impacted our revenues since many general aviation aircraft were grounded and were unable to fly to several aviation dealers to buy our product. As a result of the factors indicated above, total aviation units sold during the third quarter declined 29.5% when compared to the year-ago quarter.

Gross Profit

Gross profit decreased $1.3 million, or 2.7%, to $47.7 million for the 13-week period ended September 29, 2001, from $49.0 million for the 13-week period ended September 23, 2000. This decrease was primarily attributable to a decrease in revenues due to declining economic conditions and the events that occurred on September 11, 2001. Gross profit as a percentage of net sales remained flat at 54.9% for the 13-week period ended September 29, 2001 compared to 54.8% for the 13-week period ended September 23, 2000.

Gross profit for the consumer segment increased $2.5 million, or 8.0%, to $33.4 million for the 13-week period ended September 29, 2001, from $30.9 million for the 13-week period ended September 23, 2000. This increase is primarily attributable to the increase in consumer revenue, improved manufacturing efficiencies on many of our new products introduced throughout the year, and a reduction of raw material costs. Gross profit as a percentage of net sales remained relatively flat at 52.0% for the 13-week period ended September 29, 2001 compared to 52.5% for the 13-week period ended September 23, 2000.

Gross profit for the aviation segment decreased $3.8 million, or 20.8%, to $14.4 million for the 13-week period ended September 29, 2001, from $18.1 million for the 13-week period ended September 23, 2000. This decrease is associated with the decline in revenues in our aviation segment during the quarter. Gross profit as a percentage of net sales increased to 63.1% for the 13-week period ended September 29, 2001 from 59.2% for the 13-week period ended September 23, 2000. This increase as a percentage of net sales was primarily attributed to product mix as we experienced a greater proportion of higher margin panel mount unit sales versus portable handheld unit sales during the quarter when compared to the third fiscal quarter of 2000.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $1.1 million, or 12.3%, to $9.7 million (11.1% of net sales) for the 13-week period ended September 29, 2001, from $8.6 million (9.6% of net sales) for the 13-week period ended September 23, 2000. Selling, general and administrative expenses increased $1.2 million, or 19.0%, in the consumer segment and decreased $0.1 million, or 4.2%, in the aviation segment. The increase in expense was primarily attributable to increases in employment generally across the organization (net increase of 36 new employees) and increased advertising costs (up 16%) associated with new product releases. Overall, selling, general and administrative expenses increased at a higher rate than revenues due to the need to ramp-up for the release of new products.

Research and Development Expense

Research and development expenses increased $1.6 million, or 27.0%, to $7.3 million (8.4% of net sales) for the 13-week period ended September 29, 2001, from $5.8 million (6.4% of net sales) for the 13-week period ended September 23, 2000. Research and development expenses increased $0.8 million, or 20.5%, in the consumer segment and $0.8 million, or 40.4%, in the aviation segment. The increase in expense was primarily due to the introduction of five new recently developed products within our consumer segment during the quarter and the addition of 35 new engineers to our staff during fiscal 2001 when compared to fiscal 2000 as a result of our continued emphasis on innovation.

Operating Income

Operating income for the 13-week period ended September 29, 2001 decreased to $30.8 million, or 11.3% from $34.7 million for the 13-week period ended September 23, 2000. Operating income as a percentage of net sales decreased to 35.4% for the 13-week period ended September 29, 2001, from 38.7% for the 13-week period ended September 23, 2000 as a result of the factors discussed above.

Other Income (Expense)

Other income (expense) principally consists of interest income, interest expense and foreign currency exchange gains and losses. Other income for the 13-week period ended September 29, 2001 amounted to $2.7 million compared to other income of $2.4 million for the 13-week period ended September 23, 2000. Interest income for the 13-week period ended September 29, 2001 amounted to $3.0 million compared to $1.9 million for the 13-week period ended September 23, 2000, the increase being attributable to the growth of the Company's cash and cash equivalents from profitable operations during the period on which interest income is earned. Interest expense decreased to $0.5 million for the 13-week period ended September 29, 2001 from $0.9 million for the 13-week period ended September 23, 2000, due primarily to the reduction of debt and a lower interest rate environment during fiscal 2001.

We recognized a foreign currency exchange gain of $0.3 million for the 13-week period ended September 29, 2001 compared to a gain of $1.6 million for the 13-week period ended September 23, 2000. The $0.3 million gain was due to the relative stability of the U.S. Dollar compared to the Taiwan Dollar during the third quarter of fiscal 2001, when the exchange rate increased to 34.52 TD/USD at September 29, 2001 from 34.50 TD/USD at June 30, 2001. The $1.6 million gain was due to the strength of the U.S. Dollar compared to the Taiwan Dollar during the third quarter of fiscal 2000, when the exchange rate increased to 31.30 TD/USD at September 23, 2000 from 30.77 TD/USD at June 24, 2000.

Income Tax Provision

Income tax expense decreased by $0.2 million, to $8.5 million, for the 13-week period ended September 29, 2001 from $8.7 million for the 13-week period ended September 23, 2000 due to our lower taxable income. The effective tax rate was 25.4% for the 13-week period ended September 29, 2001 versus 23.6% for the 13-week period ended September 23, 2000. The increase is attributable to the effects of a surtax on undistributed earnings in Taiwan that the Company will pay in the following year, among other things. The tax cost of distributing earnings from Garmin Corporation, the Company's Taiwan subsidiary, to the Company significantly exceeds the amount of the surtax.

Net Income

As a result of the above, net income decreased 11.6% for the 13-week period ended September 29, 2001 to $25.0 million compared to $28.3 million for the 13-week period ended September 23, 2000.

Comparison of 39-Weeks Ended September 29, 2001 and September 23, 2000

Net Sales

Net sales increased $16.0 million, or 6.2%, to $276.1 million for the 39-week period ended September 29, 2001, from $260.1 million for the 39-week period ended September 23, 2000. The increase for the 39-week period ended September 29, 2001 was primarily due to the introduction of 22 new products and the increase in overall demand for our consumer GPS products. Sales from our consumer products accounted for 70.1% of net sales for the year-to-date period of 2001 compared to 66.6% during the year-to-date period of 2000. Sales from our aviation products accounted for 29.9% of net sales for the year-to-date period of 2001 compared to 33.4% during the year-to-date period of 2000. Total consumer and aviation units increased 12.5% to 993,000 in 2001 from 883,000 in 2000.

Net sales for the consumer segment increased $20.2 million, or 11.7%, to $193.5 million for the 39-week period ended September 29, 2001, from $173.3 million for the 39-week period ended September 23, 2000. The increase for the 39-week period ended September 29, 2001 was primarily due to new product introductions during fiscal 2001 and overall demand for our consumer products as total units increased 13.6%.

Net sales for the aviation segment decreased $4.2 million, or 4.8%, to $82.6 million for the 39-week period ended September 29, 2001, from $86.8 million for the 39-week period ended September 23, 2000. The decrease for the 39-week period ended September 29, 2001 was primarily due to an overall weak economy and the shut down of U.S. airspace that occurred during the third quarter, which offset growth in aviation sales earlier in the year. As a result of the factors indicated above, total aviation units sold for the 39-week period ended September 29, 2001 declined 9.1% when compared to the year-ago period.

Gross Profit

Gross profit increased $7.7 million, or 5.5%, to $148.7 million for the 39-week period ended September 29, 2001, from $141.0 million for the 39-week period ended September 23, 2000. This increase was primarily attributable to revenue growth associated with increased unit volumes within our consumer segment. Gross profit as a percentage of net sales decreased to 53.9% for the 39-week period ended September 29, 2001 compared to 54.2% for the 39-week period ended September 23, 2000. This decrease as a percentage of net sales was primarily attributed to a shift in product mix within the consumer segment, whereby lower margin new product lines replaced higher margin existing product lines.

Gross profit for the consumer segment increased $7.2 million, or 8.0%, to $97.5 million for the 39-week period ended September 29, 2001, from $90.2 million for the 39-week period ended September 23, 2000. Gross profit as a percentage of net sales decreased to 50.4% for the 39-week period ended September 29, 2001 from 52.1% for the 39-week period ended September 23, 2000 due to a shift in product mix as we sold more entry level eTrex® units and a shift to lower margin product lines.

Gross profit for the aviation segment increased $0.5 million, or 1.0%, to $51.2 million for the 39-week period ended September 29, 2001, from $50.7 million for the 39-week period ended September 23, 2000. Gross profit as a percentage of net sales increased to 62.0% for the 39-week period ended September 29, 2001 from 58.5% for the 39-week period ended September 23, 2000. This increase as a percentage of net sales was primarily attributed to product mix, as total panel-mount aviation unit sales increased 17.5%. We experienced a significant increase in unit sales of our higher margin GNS 530™ product line.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $5.0 million, or 21.3%, to $28.7 million (10.4% of net sales) for the 39-week period ended September 29, 2001, from $23.7 million (9.1% of net sales) for the 39-week period ended September 23, 2000. Selling, general and administrative expenses increased $3.9 million, or 22.9%, in the consumer segment and $1.1 million, or 17.2%, in the aviation segment. The increase in expense was primarily attributable to increases in employment generally across the organization, increased advertising costs associated with new product releases, additional costs associated with being a public company, and increases in insurance premiums.

Research and Development Expense

Research and development expenses increased \$4.9 million, or 31.6%, to \$20.4 million (7.4% of net sales) for the 39-week period ended September 29, 2001, from \$15.5 million (5.9% of net sales) for the 39-week period ended September 23, 2000. Research and development expenses increased \$3.3 million, or 33.1%, in the consumer segment and \$1.6 million, or 28.8%, in the aviation segment. The increase in expense was primarily due to the introduction of 22 new products within our consumer segment and the addition of 35 new engineers to our staff as a result of our continued emphasis on research and development expansion and innovation.

Operating Income

Operating income for the 39-week period ended September 29, 2001 decreased to \$99.6 million, or 2.2% from \$101.8 million for the 39-week period ended September 23, 2000. Operating income as a percentage of net sales decreased to 36.1% for the 39-week period ended September 29, 2001, from 39.1% for the 39-week period ended September 23, 2000 as a result of the factors discussed above.

Other Income (Expense)

Other income (expense) principally consists of interest income, interest expense and foreign currency exchange gains and losses. Other income for the 39-week period ended September 29, 2001 amounted to \$14.9 million compared to other income of \$0.4 million for the 39-week period ended September 23, 2000. Interest income for the 39-week period ended September 29, 2001 amounted to \$8.9 million compared to \$4.4 million for the 39-week period ended September 23, 2000, the increase being attributable to the growth of the Company's cash and cash equivalents from profitable operations during the period on which interest income is earned. Interest expense decreased to \$1.7 million for the 39-week period ended September 29, 2001 from \$2.3 million for the 39-week period ended September 23, 2000, due primarily to the reduction of debt and a lower interest rate environment during fiscal 2001.

We recognized a foreign currency exchange gain of \$7.7 million for the 39-week period ended September 29, 2001 compared to a loss of \$1.4 million for the 39-week period ended September 23, 2000. The \$7.7 million gain was due to the significantly increased strength of the U.S. Dollar compared to the Taiwan Dollar during the year-to-date period of fiscal 2001, when the exchange rate increased to 34.52 TD/USD at September 29, 2001 from 33.01 TD/USD at December 30, 2000. The \$1.4 million loss was due to the weakening of the U.S. Dollar compared to the Taiwan Dollar during the year-to-date period of fiscal 2000, when the exchange rate decreased to 31.30 TD/USD at September 23, 2000 from 31.65 TD/USD at December 25, 1999.

Income Tax Provision

Income tax expense increased by \$5.0 million, to \$29.1 million, for the 39-week period ended September 29, 2001 from \$24.1 million for the 39-week period ended September 23, 2000 due to our higher taxable income. The effective tax rate was 25.4% for the 39-week period ended September 29, 2001 versus 23.6% for the 39-week period ended September 23, 2000. The increase is attributable to the effects of a surtax on undistributed earnings in Taiwan that the Company will pay in the following year, among other things. The tax cost of distributing earnings from Garmin Corporation, the Company's Taiwan subsidiary, to the Company significantly exceeds the amount of the surtax.

Net Income

As a result of the above, net income increased 9.4% for the 39-week period ended September 29, 2001 to \$85.4 million compared to \$78.1 million for the 39-week period ended September 23, 2000.

Liquidity and Capital Resources

Net cash generated by operating activities was $95.6 million for the 39-week period ended September 29, 2001 compared to $61.7 million for the 39-week period ended September 23, 2000. We operate with a strong customer driven approach and therefore carry sufficient inventory to meet customer demand. Because we desire to respond quickly to our customers and minimize order fulfillment time, our inventory levels are generally 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 $24.0 million reduction in inventory at September 29, 2001 when compared to fiscal year-end December 30, 2000 as we began shipments of 22 new products. Due to the timing of these new product introductions during the period, our accounts receivable balance increased $10.5 million to $43.2 million at September 29, 2001 from $32.7 million at December 30, 2000. We do not anticipate that the timing of new product introductions will have a negative impact on our financial results in the future.

During the 39-week period ended September 29, 2001, our capital expenditures totaled $10.8 million compared to $16.4 million for the 39-week period ended September 23, 2000. The capital expenditures were incurred primarily for the continued expansion of our Olathe, Kansas facility. Cash flow from financing activities during the period were $11.2 million use of cash due to the reduction of debt in Taiwan compared to a use of cash of $9.0 million in prior period. The lower use of cash in the prior period was attributed to the net effect of cash provided by the issuance of long-term debt ($20.0 million) to finance the expansion of our Olathe, Kansas facility and cash used to pay dividends ($29.0 million).

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Sensitivity

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

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 Taiwan Dollar has proven to be relatively stable. However, within the last year we have experienced significant foreign currency gains due to the strengthening 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 currencies involved are the Taiwan Dollar and the British Pound Sterling. The Company's international subsidiaries use the local currency as the functional currency. The Company translates all assets and liabilities at year-end exchange rates and income and expense accounts at average rates during the year. In order to minimize the effect of the currency exchange fluctuations on our operations, we have elected to retain most of our cash at our Taiwan subsidiary in U.S. dollars. As such, even when a significant gain or loss occurs as a result of more volatile foreign exchange rate fluctuations, the actual impact on our operations is of a lesser extent.

Interest Rate Risk

As of September 29, 2001, we have interest rate risk in connection with our industrial revenue bonds that bear interest at a floating rate. The Company's subsidiary, Garmin International, Inc. entered into an interest rate swap agreement to modify the characteristics of $15 million of its outstanding long-term debt from a floating rate to a fixed rate basis. This agreement involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount. The gain or loss on interest rate swap agreements is immaterial.

Part II - Other Information

Item 1. Legal Proceedings

From time to time the Company may be involved in litigation arising in the course of its operations. As of November 13, 2001, the Company was not a party to any material legal proceedings.

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports on Form 8-K

Not applicable

SIGNATURES

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

GARMIN LTD.

By /s/ Kevin Rauckman

Kevin Rauckman
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Dated: November 13, 2001