

TRIMBLE NAVIGATION LTD /CA/  
Form 10-K  
February 23, 2007

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the fiscal year ended December 29, 2006

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: 0-18645**

**TRIMBLE NAVIGATION LIMITED**  
(Exact name of Registrant as specified in its charter)

California  
(State or other jurisdiction of incorporation or  
organization)

94-2802192  
(I.R.S. Employer Identification No.)

935 Stewart Drive, Sunnyvale, CA  
(Address of principal executive offices)

94085  
(Zip Code)

Registrant's telephone number, including area code: **(408) 481-8000**  
Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which stock registered

**Common Stock**

**NASDAQ Global Select Market**

**Preferred Share Purchase Rights**

**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (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 registrant was

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required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-accelerated Filer ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of June 30, 2006, the aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately \$2.5 billion based on the closing price as reported on the NASDAQ Global Select Market.

Indicate the number of share outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at February 21, 2007
Common stock, no par value	59,099,854 shares

**DOCUMENTS INCORPORATED BY REFERENCE**

Certain parts of Trimble Navigation Limited's Proxy Statement relating to the annual meeting of stockholders to be held on May 17, 2007 (the "Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K.

## **SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are subject to the "safe harbor" created by those sections. The forward-looking statements regarding future events and the future results of Trimble Navigation Limited ("Trimble" or "The Company" or "We" or "Our" or "Us") are based on current expectations, estimates, forecasts, and projections about the industries in which Trimble operates and the beliefs and assumptions of the management of Trimble. Discussions containing such forward-looking statements may be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations." In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "could," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," and similar expressions. These forward-looking statements involve certain risks and uncertainties that could cause actual results, levels of activity, performance, achievements and events to differ materially from those implied by such forward-looking statements, but are not limited to those discussed in this Report under the section entitled "Other Risk Factors" and elsewhere, and in other reports Trimble files with the Securities and Exchange Commission ("SEC"), specifically the most recent reports on Form 8-K and Form 10-Q, each as it may be amended from time to time. These forward-looking statements are made as of the date of this Annual Report on Form 10-K. We reserve the right to update these statements for any reason, including the occurrence of material events. The risks and uncertainties under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risks and Uncertainties" contained herein, among other things, should be considered in evaluating our prospects and future financial performance. We have attempted to identify forward-looking statements in this report by placing an asterisk (\*) before paragraphs containing such material.

**TRIMBLE NAVIGATION LIMITED**

**2006 FORM 10-K ANNUAL REPORT**

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**TRADEMARKS**

Trimble, the globe and triangle logo, EZ-Guide, GeoExplorer, AgGPS, Spectra Precision, Autopilot, Fieldport, Copernicus, Recon, TrimTrac, EZ-Steer, and Force, among others are trademarks of Trimble Navigation Limited and its subsidiaries. All other trademarks are the property of their respective owners.

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**PART I**

**Item 1**

**Business**

Trimble Navigation Limited, a California corporation (“Trimble” or “the Company” or “we” or “our” or “us”), provides advanced positioning product solutions, typically to commercial and government users. The principle applications served include surveying, agriculture, machine guidance, construction alignment, asset and fleet management, and telecommunications infrastructure. Our products provide benefits that can include lower operational costs, and higher productivity. Examples of products include systems that guide agricultural and construction equipment, surveying instruments, systems that track fleets of vehicles, and data collection systems that enable the management of large amounts of geo-referenced information. In addition, we also manufacture components for in-vehicle navigation and telematics systems, and timing modules used in the synchronization of wireless networks.

Trimble products often combine knowledge of location or position together with a wireless link to provide a solution for a specific application. Position is provided through a number of technologies including the Global Positioning System (GPS) and systems that use laser or optical technologies to establish position. Wireless communication techniques include both public networks, such as cellular, and private networks, such as business band radio. Our products are augmented by our software; this includes embedded firmware that enables the positioning solution and applications software that allows the customer to make use of the positioning information.

We design and market our own products. Our manufacturing strategy includes a combination of in-house assembly and third party subcontractors. Our global operations include major development, manufacturing or logistics operations in the United States, Sweden, Germany, New Zealand, France, Canada, the Netherlands, and India. Products are sold through dealers, representatives, joint ventures, and other channels throughout the world. These channels are supported by our sales offices located in more than 15 countries.

We began operations in 1978 and incorporated in California in 1981. Our common stock has been publicly traded on NASDAQ since 1990 under the symbol TRMB.

On January 17, 2007, Trimble’s Board of Directors approved a 2-for-1 split of all outstanding shares of the Company’s Common Stock, payable February 22, 2007 to stockholders of record on February 8, 2007. All shares and per share information presented has been adjusted to reflect the stock split on a retroactive basis for all periods presented.

**Technology Overview**

A significant portion of our revenue is derived from applying Global Navigation Satellite System (GNSS) technology to terrestrial applications. The GNSS includes a network of 24 orbiting US based satellites and associated ground control that is funded and maintained by the U. S. Government and is available worldwide free of charge, a Russian satellite based system, and the future European Galileo system. GNSS positioning is based on a technique that precisely measures distances from four or more satellites. The satellites continuously transmit precisely timed radio signals using extremely accurate atomic clocks. A GNSS receiver measures distances from the satellites in view by determining the travel time of a signal from the satellite to the receiver, and then uses those distances to compute its position. Under normal circumstances, a stand-alone GNSS receiver is able to calculate its position at any point on earth, in the earth’s atmosphere, or in lower earth orbit, to approximately 10 meters, 24 hours a day. Much better accuracies are possible through a technique called “differential GNSS.” In addition to providing position, GNSS provides extremely accurate time measurement.

GNSS accuracy is dependent upon the locations of the receiver and the number of GNSS satellites that are above the horizon at any given time. Reception of GNSS signals requires line-of-sight visibility between the satellites and the

receiver, which can be blocked by buildings, hills, and dense foliage. The receiver must have a line of sight to at least four satellites to determine its latitude, longitude, attitude (angular orientation), and time. The accuracy of GNSS may also be limited by distortion of GNSS signals from ionospheric and other atmospheric conditions.

Our GNSS products are based on proprietary receiver technology. Over time, the advances in positioning, wireless communication, and information technologies have enabled us to add more capability to our products and thereby deliver more value to our users. For example, the developments in wireless technology and deployments of next generation wireless networks have enabled less expensive wireless communications. These developments allow for the efficient transfer of position data to locations away from the positioning field device, allowing the data to be accessed by more users and thereby increasing productivity. This has allowed us to include a wireless link in many of our products and connect remote field operations to a central location.

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Our laser and optical products either measure distances and angles to provide a position in three dimensional space or they provide highly accurate laser references from which position can be established. The key element of these products is typically a laser, which is generally a commercially available laser diode and a complex mechanical assembly. These elements are augmented by software algorithms.

### **Business Strategy**

Our business strategy is developed around an analysis of several key elements:

- *Attractive markets* - We focus on underserved markets that offer potential for revenue growth, profitability, and market leadership.
- *Innovative solutions that provide significant benefits to our customers* - We seek to apply our technology to applications in which position data is important and where we can create unique value by enabling enhanced productivity in the field or field to back office. We look for opportunities in which the rate of technological change is high and which have a requirement for the integration of multiple technologies into a solution.
- *Distribution channels to best access our markets* - We select distribution channels that best serve the needs of individual markets. These channels can include independent dealers, direct sales, joint ventures, OEM sales, and distribution alliances with key partners. We view international expansion as an important element of our strategy and seek to develop international channels.

### **Business Segments and Markets**

We are organized into four reporting segments encompassing our various applications and product lines: Engineering and Construction, Field Solutions, Mobile Solutions and Advanced Devices. Our segments are distinguished by the markets they serve. Each segment consists of businesses which are responsible for product development, marketing, sales, strategy, and financial performance.

In the first quarter of 2006, Trimble combined the operating results of the former Components Technologies and Portfolio Technologies segments and included the combined operating results in the Advanced Devices segment. The change in presentation was made in recognition of the small size of each of the businesses relative to the total company. The presentation of prior period's segment operating results has been conformed to the Company's current segment presentation.

### **Engineering and Construction**

Products in the Engineering and Construction segment improve productivity and accuracy throughout the entire construction process including the initial survey, planning, design, site preparation, and building phases. Our products are intended to both improve the productivity of each phase, as well as facilitate the entire process by improving information flow from one step to the next.

The product solutions typically include multiple technologies. The elements of these solutions may incorporate GPS, optical, laser, radio or cellular communications.

An example of the customer benefits provided by our product is our GPS and robotic optical surveying instruments which enable the surveyor to perform operations in the field faster, more reliably than conventional surveying instruments and with a smaller crew. Similarly, our construction machine guidance products allow the operator to achieve the desired landform while eliminating stakeout and reducing rework. These steps in the construction process



can be readily linked together with data collection modules to minimize the time and effort required to maintain data accuracy throughout the entire construction process.

We sell and distribute our products in this segment through a global network of independent dealers that are supported by Trimble personnel. This channel is supplemented by relationships that create additional channel breadth including our joint ventures with Caterpillar, Nikon, and private branding arrangements with other companies.

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We also design and market handheld data collectors and data collection software for field use by surveyors, contractors, and other professionals. These products are sold directly, through dealers, and other survey manufacturers.

Competitors in this segment are typically companies that provide optical, laser, or GPS positioning products. Our principal competitors are Topcon Corporation and Leica Geosystems. Price points in this segment range from less than \$1,000 for certain laser systems to approximately \$125,000 for a high-precision, three-dimensional, machine control system.

Representative products sold in this segment include:

**Trimble® S6 Total Station** - The Trimble S6 Total Station is a technologically advanced optical surveying system. Its advanced servo motors make the Trimble S6 fast, silent, and precise, allowing surveyors to measure points and collect data in the field efficiently and productively. The Trimble S6 offers unique new Trimble technologies that enable cable-free operation, longer battery life, and accuracy assurance, among many other features. Its detachable Trimble CU controller is utilized to effectively collect, display, and manage field data.

**Trimble® VX™ Spatial Station** - Trimble VX Spatial Station is an advanced positioning system that combines optical, 3D scanning and video capabilities—Trimble VISION™ technology—to measure objects in 3D to produce 2D and 3D data sets for spatial imaging projects. The Trimble VX Spatial Station enables users to blend extremely accurate ground-based information with airborne data to provide comprehensive datasets for use in the geospatial information industry.

**GCS family of Grade Control Systems** - Grade control systems meet construction contractors' needs with productivity-enhancing solutions for earthmoving, site prep and roadwork. The Trimble GCS family provides upgrade options that deliver earthmoving contractors the flexibility to select a system that meets their daily needs today, and later add on to meet their changing needs. For example, a single control system such as the GCS300 can provide for low-cost point of entry into grade control, and over time can be upgraded to the GCS400 dual sensor system, or to the full 3D GCS900 Grade Control System.

**Spectra Precision® Laser portable tools** - Our Spectra Precision Laser portfolio includes a broad range of laser based tools for the interior, drywall and ceilings, HVAC, and mechanical contractor. Designed to replace traditional methods of measurement and leveling for a wide range of interior construction applications, our laser tools are easy to learn and use. Our Spectra Precision Laser product portfolio includes rotating lasers for horizontal leveling and vertical alignment, as well as laser pointers and a laser based distance measuring devices. They are available through independent and national construction supply houses both in the US and in Europe.

**Proliance®** - Proliance® allows infrastructure-intensive organizations to optimize the Plan-Build-Operate project lifecycle for complex capital projects, construction and real estate programs, and extensive facility portfolios. Proliance was designed for large building owner/operators, real estate developers and engineering-driven organizations managing \$250M or more annually in new project construction or facility renovations.

## **Field Solutions**

Our Field Solutions segment addresses the agriculture and geographic information system (GIS) markets.

Our agriculture products consist of manual and automated navigation guidance for tractors and other farm equipment used in spraying, planting, cultivation, and harvesting applications. The benefits to the farmer include faster machine operation, higher yields, and lower consumption of chemicals than conventional equipment. We also provide

positioning solutions for leveling agricultural fields in irrigation applications and aligning drainage systems to better manage water flow in fields.

In 2006, Field Solutions entered the agricultural flow controls market with the introduction of the AgGPS® EZ-Boom™ 2010 automated application control system. The new system is designed to help growers cut input costs and reduce operator fatigue by providing precise automatic control of field spraying applications. The AgGPS EZ-Boom 2010 system provides both application flow control and automatic boom section control that integrates with the Trimble AgGPS EZ-Guide® Plus and/or Field Manager™ display. The combination of the AgGPS EZ-Boom 2010 system and EZ-Guide Plus Field Manager display allows the user to consolidate guidance, flow control, and precision agriculture functions into one integrated package controlling up to 10 boom sections automatically with GPS guidance.

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We use multiple distribution channels to access the agricultural market, including independent dealers and partners such as CNH Global. Competitors in this market are either vertically integrated implement companies such as John Deere, or agricultural instrumentation suppliers such as Raven, CSI Wireless and Autofarm.

Our Mapping and GIS product line is centered on handheld data collectors that gather information in the field to be incorporated into GIS databases. Typically this information includes features, attributes, and positions of fixed infrastructure and natural resource assets. An example would be that of a utility company performing a survey of its transmission poles including the age and condition of each telephone pole. Our handheld unit enables this data to be collected and automatically stored while confirming the location of the asset. The data can then be downloaded into a GIS database. This stored data could later be used to navigate back to any individual asset or item for maintenance or data update. Our mobile GIS initiative goes one step further by allowing this information to be communicated from the field worker to the back-office GIS database through the combination of wireless technologies, as well as giving the field worker the ability to download information from the database. This capability provides significant advantages to users including improved productivity, accuracy and access to the information in the field.

Distribution for GIS products is primarily through a network of independent dealers and business partners, supported by Trimble personnel. Primary markets for our GIS products and solutions include both governmental and commercial users. Government users are most often municipal governments and natural resource agencies. Commercial users include utility companies. Competitors in this market are typically survey instrument companies utilizing GPS technology. Two examples are Topcon and Thales.

Approximate product price points in this segment range from \$3,000 for a GIS handheld unit to \$35,000 for a fully automated, farm equipment control system.

Representative products sold within this segment include:

**AgGPS® EZ-Boom™ 2010** - The AgGPS EZ-Boom 2010 automated application control system is designed to help growers cut input costs and reduce operator fatigue by providing precise automatic control of field spraying applications. It works with the Trimble AgGPS EZ-Guide Plus lightbar guidance system, AgGPS EZ-Steer® assisted steering system or the AgGPS Autopilot™ automated steering system.

**AgGPS® Autopilot™ System** - A GPS-enabled, agricultural navigation system that connects to a tractor's steering system and automatically steers the tractor along a precise path to within three centimeters or less. This enables both higher machine productivity and more precise application of seed and chemicals, thereby reducing costs to the farmer.

**AgGPS® EZ-Steer® System** - A value added assisted steering system, that when combined with the EZ-Guide Plus system, automatically steers agricultural vehicles along a path within 20 centimeters or less. This system installs in less than thirty minutes and is designed to reduce gaps and overlaps in spraying, fertilizing, and other field applications as well as reduce operator fatigue.

**GeoExplorer® 2005 Series** - Combines a GPS receiver in a rugged handheld unit running industry standard Microsoft Windows Mobile version 5.0, making it easy to collect and maintain data about objects in the field. The GeoExplorer series features three models ranging in accuracy from subfoot to 1-3 meters —allowing the user to select the system most appropriate for their data collection and maintenance needs.

**Spacient® Fieldport® Software** - Focuses on automating field service processes, operational efficiency and profitability for water and wastewater utility customers. Sales and distribution of Fieldport software solutions are direct to the customer. A Fieldport software installation involves a degree of integration and professional services.

## **Mobile Solutions**

Our Mobile Solutions segment addresses solutions for vehicles and mobile workers by providing both hardware and software for managing mobile work, mobile workers and mobile assets. The software is provided in both a client server model or web based. Our software is provided through our hosted platform for a monthly subscription service fee; or as a perpetual license with annual maintenance and support fees.

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Our vehicle solutions include an onboard computer consisting of a GPS receiver, business logic, sensor interface, and a cellular modem. Our solution includes the communication service to and from the vehicle to our data center and access over the Internet to the application software.

Our mobile worker solutions include a rugged PC and software. The solutions will also include communication gateway for back office integration.

One element of our market strategy targets opportunities in specific vertical markets where we believe we can provide a unique value to the end-user by tailoring our solutions for a particular industry. Sample markets include Ready Mix Concrete, Direct Store Delivery and Public Safety. Our ready mix concrete solution combines a suite of sensors with our in-vehicle wireless platform providing fleets with updated vehicle status that requires no driver interaction - referred to as "auto-status."

We also sell our vehicle solutions using a horizontal market strategy that focuses on providing turnkey solutions to a broad range of service fleets that span a large number of market segments. Here, we leverage our capabilities without the same level of customization. These solutions are sold to the general service fleets as well as transportation and distribution fleets both on a direct basis and through dealer channels.

Our enterprise strategy focuses on sales to large, enterprise accounts with more than 1,000 vehicles or routes. Here, in addition to a Trimble-hosted solution, we can also integrate our service directly into the customer's IT infrastructure, giving them improved control of their information. In this market we sell directly to end-users. Sales cycles tend to be long due to field trials followed by an extensive decision-making process.

Approximate prices for hardware fall in the range of \$400 to \$4,000, while the monthly subscription service fees range from approximately \$25 to approximately \$55, depending on the customer service level.

We have also entered into new markets by acquisitions of Advanced Public Safety, Inc. (APS) and Visual Statement Inc. (VS). APS provides mobile and handheld software products used by law enforcement, fire rescue and other public safety agencies. VS provides desktop software and enterprise solutions for collision and crime incident analysis, reporting and workflow management.

Representative products sold in this segment include:

**Trimble Fleet Productivity** - Our fleet productivity solution offerings are comprised of the TrimView and TrimWeb mobile platforms. The TrimWeb system provides different levels of service that run from snapshots of fleet activity to real-time fleet dispatch capability via access to the web based platform through a secure internet connection. The TrimWeb system includes truck communication service and computer backbone support of the service. TrimView is sold to fleets where system integration into back office applications are required for more robust information flow.

**Trimble Consumer Packaged Goods (CPG)**- This software solution operates in the Microsoft CE/Pocket or WinMobile PC environment and addresses the pre-sales, delivery, routes sales and full service vending functions performed by mobile workers. Customers within the CPG market purchase a combination of both license software and handheld PCs. The software handles all communications from/to the mobile computer as well as from/to the host and any other ERP or decision support systems.

**Trimble Public Safety** - We provide a suite of solutions for the public safety sector including our Pocket Citation System which is an electronic ticketing system enables law enforcement officers to issue traffic citations utilizing a mobile handheld device. This system scans the traffic offender's driver's license and automatically populates the appropriate information into the citation. We also provide a variation of this solution which enables law enforcement

officers to complete electronic traffic citations in under 30 seconds. Within this sector we also provide desktop software which enables accident investigators and other public safety professionals to reconstruct and simulate vehicle accidents.

### **Advanced Devices**

In the first quarter of 2006, we began reporting a new segment called Advanced Devices that combines our previously reported Component Technologies and Portfolio segments. This was done in recognition of the small size of each of the businesses comprising the new segment, relative to the total company. Advanced Devices includes the product lines from our Component Technologies, Applanix, Trimble Outdoors, and Military and Advanced Systems (MAS) businesses. It is helpful to recognize that with the exception of Trimble Outdoors and Applanix these businesses share several characteristics: they are hardware centric, generally rely on OEM distribution, and have products that can be utilized in a number of different end-user markets.

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Within Component Technologies, we provide GPS-based components for applications that require embedded position or time to markets such as the telecommunications and automotive industries where we supply modules, boards, custom integrated circuits, or single application IP licenses to the customer according to the needs of the application. Sales are made directly to original equipment manufacturers (OEMs) and system integrators who incorporate our component into a sub-system or a complete system-level product. Component Technologies has developed GPS technologies which it is making available for license. These technologies can run on certain digital signal processors (DSP) or microprocessors removing the need for dedicated GPS baseband signal processor chips. Advanced Devices has an agreement with u-Nav Microelectronics to license Trimble GPS technology for u-Nav GPS chipsets. We also have a cooperative licensing deal with Nokia for Trimble's Global Navigation Satellite System (GNSS) patents related to designated wireless products and services involving location technologies, such as GPS, assisted GPS or Galileo. The licensing agreement is exclusive to Nokia for the wireless consumer product and service domain and includes sublicensing rights. In return, Trimble receives a non-exclusive license to Nokia's location-based patents for use in Trimble's commercial products and services.

Our Applanix business develops, manufactures, sells and supports high-value, precision products that combine GPS with inertial sensors for accurate measurement of the position and attitude. Sales are made directly by our sales force to the end users or to systems integrators. Competitors include IGI in the airborne survey market, and iXsea and TSS in the marine survey market.

Our MAS business supplies GPS receivers and embedded modules that use the military's GPS advanced capabilities. The modules are principally used in aircraft navigation and timing applications. Military products are sold directly to either the US Government or defense contractors. Sales are also made to authorized foreign end users. Competitors in this market include Rockwell Collins, L3, and Raytheon.

The Trimble Outdoors service utilizes GPS-enabled cell phones to provide information for outdoor recreational activities. Some of the recreational activities include hiking, biking, backpacking, boating, and water sports. Consumers purchase the Trimble Outdoors product through our wireless operator partners which include Sprint-Nextel, SouthernLINC Wireless and Boost Mobile. In 2005, Trimble entered into an agreement with Rodale Inc., owner of Backpacker Magazine, to bring high quality trip content to consumer GPS cell phones.

Representative products sold by this segment include:

**Copernicus™ GPS Receiver**-Copernicus is Trimble's first product built upon the uNav Microelectronics GPS chipset. It is a full-function GPS receiver in a surface mount package the size of a postage stamp.

**TrimTrac® Locator** - Our TrimTrac product is a complete end user device that combines GPS functionality with global system for mobile communications (GSM) wireless communications. In 2006, we added to the TrimTrac locator full quad-band GSM and general packet radio service (GPRS) support along with several important application level features. The device is suitable for high volume personal vehicle and commercial asset management applications that demand a low-cost locator.

**Applanix POS/AV™** - An integrated GPS/inertial system for airborne surveying that measures aircraft position to an accuracy of a few centimeters and aircraft attitude (angular orientation) to an accuracy of 30 arc seconds or better. This system is typically interfaced to large format cameras and scanning lasers for producing geo-referenced topographic maps of the terrain.

**Applanix DSS™ 322 Digital Sensor System** - A medium-format, digital aerial camera system with direct georeferencing capability designed for streamlined airborne digital image acquisition. Used for corridor surveys, photogrammetric mapping, GIS analysis and feature identification, and other airborne remote sensing applications



requiring high-quality digital imagery.

**Force™ 5 GS (GRAM-SAASM) Module** - A dual frequency, embedded GPS module that is used in a variety of military airborne applications.

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**Trimble® Outdoors™** - Trip planning and navigation software that works with GPS-enabled cell phones and conventional GPS receivers. This software enables consumers to research specific trips online as part of trip pre-planning. In addition, users are able to share outdoor and off-road experiences online with their friends and family.

**Acquisitions and Joint Ventures**

Our growth strategy is centered on developing and marketing innovative and complete value-added solutions to our existing customers, while also marketing them to new customers and geographic regions. In some cases, this has led to partnering with or acquiring companies that bring technologies, products or distribution capabilities that will allow us to establish a market beach head, penetrate a market more effectively, or develop solutions more quickly than if we had done so solely through internal development. Since 1999, this has led us to form two joint ventures and acquire twenty one companies. Most of these acquisitions have been small both in dollar terms and in number of people added to the Trimble employee base. No assurance can be given that our previous or future acquisitions will be successful or will not materially adversely affect our financial condition or operating results.

**@Road, Inc.**

On February 16, 2007, we acquired @Road, Inc. of Fremont, California. @Road, Inc. is a global provider of solutions designed to automate the management of mobile resources and to optimize the service delivery process for customers across a variety of industries. @Road will be reported within our Mobile Solutions business segment. This acquisition was the largest in acquisition value in the company's history. It significantly increases our presence in the mobile resource management, or MRM, market which Trimble believes is a large and fast growing market.

\* With the addition of @Road, Trimble's TMS segment will be better able to service larger customers, with a broader and more robust solution set.

**INPHO GmbH**

On February 13, 2007, we acquired INPHO GmbH of Stuttgart, Germany. INPHO is a leader in photogrammetry and digital surface modeling for aerial surveying, mapping and remote sensing applications. INPHO will be reported within Trimble's Engineering and Construction segment.

**Spacient Technologies, Inc.**

On November 21, 2006, we acquired privately-held Spacient Technologies, Inc. of Long Beach, California. Spacient is a leading provider of enterprise field service management and mobile mapping solutions for municipalities and utilities. Spacient's performance is reported under our Field Solutions business segment.

**Meridian Project Systems, Inc.**

On November 7, 2006, we acquired privately-held Meridian Project Systems, Inc. of Folsom, California. Meridian provides enterprise project management and lifecycle software for optimizing the plan, build and operate lifecycle for real estate, construction and other physical infrastructure projects. Meridian's performance is reported under our Engineering and Construction business segment.

**XYZ Solutions, Inc.**

On October 27, 2006, we acquired privately-held XYZ Solutions, Inc., of Alpharetta, Georgia. XYZ Solutions provides real-time, interactive 3D intelligence software to manage the spatial aspects of a construction project. XYZ Solutions' performance is reported under our Engineering and Construction business segment.

Visual Statement, Inc.

On October 11, 2006, we acquired privately-held Visual Statement, Inc. of Kamloops, British Columbia, Canada. Visual Statement provides desktop software tools for crime and collision incident investigation, analysis, and reconstitution as well as state-wide enterprise solutions for reporting and analysis used by public safety agencies. Visual Statement's performance is reported under our Mobile Solutions business segment.

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#### BitWyse Solutions, Inc.

On May 1, 2006, we acquired the assets of privately-held BitWyse Solutions, Inc. of Salem, Massachusetts. BitWyse is a provider of engineering and construction information management software. BitWyse's performance is reported under our Engineering and Construction business segment.

#### Eleven Technology, Inc.

On April 28, 2006, we acquired privately-held Eleven Technology, Inc. of Cambridge, Massachusetts. Eleven is a mobile application software company with a leading position in the Consumer Packaged Goods industry. Eleven's performance is reported under our Mobile Solutions business segment.

#### Quantm International, Inc.

On April 5, 2006, we acquired privately-held Quantm International, Inc., a provider of transportation route optimization solutions used for planning highways, railways, pipelines and canals. Quantm's performance is reported under our Engineering and Construction business segment.

#### XYZs of GPS, Inc.

On February 26, 2006, we acquired the assets of XYZs of GPS, Inc. of Dickerson, Maryland. XYZ develops real-time Global Navigation Satellite System or, GNSS, reference station, integrity monitoring and dynamic positioning software for meter, decimeter and centimeter applications. XYZs' performance is reported under our Engineering and Construction business segment.

### **Patents, Licenses and Intellectual Property**

We hold approximately 625 US patents and approximately 85 non-US patents, the majority of which cover GPS technology and other applications such as optical and laser technology.

We prefer to own the intellectual property used in our products, either directly or through subsidiaries. From time to time we license technology from third parties.

There are approximately 190 trademarks registered to Trimble and its subsidiaries including "Trimble," the globe and triangle logo, "AgGPS," "GeoExplorer," and "Recon," among others that are registered in the United States and other countries. Additional trademarks are pending registration.

### **Sales and Marketing**

We tailor the distribution channel to the needs of our products and regional markets through a number of sales channel solutions around the world. We sell our products worldwide primarily through dealers, distributors, and authorized representatives, occasionally granting exclusive rights to market certain products within specific countries. This channel is supported and supplemented (where third party distribution is not available) by our regional sales offices throughout the world. We also utilize distribution alliances, OEM relationships and joint ventures with other companies as a means to serve selected markets.

During fiscal 2006, sales to customers in the United States represented 54%, Europe represented 25%, Asia Pacific represented 12% and other regions represented 9% of our total revenues. During fiscal 2005, sales to customers in the United States represented 54%, Europe represented 25%, Asia Pacific represented 11% and other regions represented 10% of our total revenues.

### **Warranty**

The warranty periods for our products are generally between 90 days and three years. Selected military programs may require extended warranty periods up to 5.5 years and certain Nikon products have a five-year warranty period. We support our GPS products through a circuit board replacement program from locations in the United Kingdom, Germany, Japan, and the United States. The repair and calibration of our non-GPS products are available from company-owned or authorized facilities. We reimburse dealers and distributors for all authorized warranty repairs they perform.

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While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of component suppliers, our warranty obligation is affected by product failure rates, material usage, and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage, or service delivery costs differ from the estimates, revisions to the estimated warranty accrual and related costs may be required.

### **Seasonality of Business**

\* Our individual segment revenues may be affected by seasonal buying patterns. Typically the second fiscal quarter has been the strongest quarter for the Company driven by the construction buying season.

### **Backlog**

In most of our markets, the time between order placement and shipment is short. Orders are generally placed by customers on an as-needed basis. In general, customers may cancel or reschedule orders without penalty. For these reasons, we do not believe that orders are an accurate measure of backlog and, therefore, we believe that backlog is not a meaningful indicator of future revenues or material to an understanding of our business.

### **Manufacturing**

Manufacturing of substantially all our GPS subsystems is subcontracted to Soletron Corporation. During fiscal 2006 we continued to utilize Soletron's Suzhou facilities in China for all of our Component Technologies products. During 2006 and 2004 we expanded our use of Soletron in Mexico for our Construction and Field Solutions products and handhelds, respectively. We continue to utilize Soletron California for our high-end GPS products and new product introduction services. Soletron is responsible for substantially all material procurement, assembly, and testing. We continue to manage product design through pilot production for the subcontracted products, and we are directly involved in qualifying suppliers and key components used in all our products. Our current contract with Soletron continues in effect until either party gives the other ninety days written notice.

We manufacture laser and optics-based products at our plants in Dayton, Ohio; Danderyd, Sweden; Jena and Kaiserslautern, Germany; and Toronto, Canada. Some of these products or portions of these products are also subcontracted to third parties for assembly.

Our design and manufacturing sites in Dayton, Ohio; Sunnyvale, California; Danderyd, Sweden; Jena and Kaiserslautern, Germany are registered to ISO9001:2000, covering the design, production, distribution, and servicing of all our products.

### **Research and Development**

We believe that our competitive position is maintained through the development and introduction of new products that incorporate improved features, better performance, smaller size and weight, lower cost, or some combination of these factors. We invest substantially in the development of new products. We also make significant investment in the positioning, communication, and information technologies that underlie our products and will likely provide competitive advantages.

Our research and development expenditures, net of reimbursed amounts were \$103.8 million for fiscal 2006, \$84.3 million for fiscal 2005, and \$77.6 million for fiscal 2004.

\* We expect to continue investing in research and development with the goal of maintaining or improving our competitive position, as well as the goal of entering new markets.

### **Employees**

As of December 29, 2006, we employed 2,842 employees, including 25% in sales and marketing, 36% in manufacturing, 28% in engineering, and 11% in general and administrative positions. Approximately 41% of employees are in locations outside the United States.

Our employees are not represented by unions except for those in Sweden and some in Germany. We also employ temporary and contract personnel that are not included in the above headcount numbers. We have not experienced work stoppages or similar labor actions.

Table of Contents**Available Information**

The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge on the Company's web site through [www.trimble.com/investors.html](http://www.trimble.com/investors.html), as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. Information contained on our web site is not part of this annual report on Form 10-K.

In addition, you may request a copy of these filings (excluding exhibits) at no cost by writing or telephoning us at our principal executive offices at the following address or telephone number:

Trimble Navigation Limited  
935 Stewart Drive, Sunnyvale, CA 94085  
Attention: Investor Relations Telephone: 408-481-8000

**Executive Officers**

The names, ages, and positions of the Company's executive officers as of February 22, 2007 are as follows:

Name	Age	Position
Steven W. Berglund	55	President and Chief Executive Officer
Rajat Bahri	42	Chief Financial Officer
Rick Beyer	49	Vice President, Mobile Solutions
Joseph F. Denniston, Jr.	46	Vice President, Operations
Bryn A. Fosburgh	44	Vice President, Engineering and Construction
Mark A. Harrington	51	Vice President, Strategy and Business Development
Debi Hirshlag	41	Vice President, Human Resources
John E. Huey	57	Treasurer
Irwin L. Kwatek	67	Vice President and General Counsel
Michael W. Lesyna	46	Vice President, Business Transformation
Bruce E. Peetz	55	Vice President, Advanced Technology and Systems
Julie Shepard	49	Vice President, Finance
Alan R. Townsend	58	Vice President, Field Solutions
Dennis L. Workman	62	Vice President and Chief Technical Officer, Advanced Devices

**Steven W. Berglund** - Steven Berglund has served as president and chief executive officer of Trimble since March 1999. Prior to joining Trimble, Mr. Berglund was president of Spectra Precision, a group within Spectra Physics AB, and a pioneer in the development of laser systems. He spent 14 years at Spectra Physics in a variety of senior leadership positions. In the early 1980s, Mr. Berglund spent a number of years at Varian Associates in Palo Alto, where he held a variety of planning and manufacturing roles. Mr. Berglund began his career as a process engineer at Eastman Kodak in Rochester, New York. He attended the University of Oslo and the University of Minnesota where he received a B.S. in chemical engineering. He later received his M.B.A. from the University of Rochester.

**Rajat Bahri** - Rajat Bahri joined Trimble as Chief Financial Officer in January 2005. Prior to joining Trimble, Mr. Bahri served for more than 15 years in various capacities within the financial organization of several subsidiaries of Kraft Foods, Inc. and General Foods Corporation. Most recently, he served as the chief financial officer for Kraft Canada, Inc. From June 2000 to June 2001 he served as chief financial officer of Kraft Pizza Company. From 1997 to 2000, Mr. Bahri was Operations Controller for Kraft Jacobs Suchard Europe. Mr. Bahri holds a Bachelor of



Commerce from the University of Delhi in 1985 and an M.B.A. from Duke University in 1987. In 2005, he was elected on the board of Simple Technologies, Inc., a publicly traded company.

***Rick Beyer*** - Rick Beyer joined Trimble in March 2004 as president of Trimble Mobile Solutions (TMS) and in May 2006, Mr. Beyer was appointed a Vice President of Trimble. Prior to joining Trimble, Mr. Beyer held senior executive positions within the wireless mobile solutions industry since 1987. Part of the original senior executive team that launched Qualcomm's OmniTRAC's mobile satellite communication solution, Mr. Beyer also held the positions of general manager at Rockwell Collins, on-board computing division, from 1994 to 1995; executive vice president of Norcom Networks from 1995 to 1999; president of Husky Technologies, now part of Itronix, from 1999 to 2000; and CEO of TracerNet, now Trimble Mobile Solutions, from 2002 to 2004. Mr. Beyer holds a B.A. from Olivet College and was Chairman of the Board at the college from 2000 to 2003. He was elected Trustee Emeritus in 2007. Rick also served as a member of the Council of Board Chairs for the Association of Governing Boards for Colleges and Universities from 2002 to 2005.

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**Joseph F. Denniston, Jr.** - Joseph Denniston joined Trimble as vice president of operations in April 2001, responsible for worldwide manufacturing, distribution and logistics. Prior to Trimble, Mr. Denniston worked for 3Com Corporation. During his 14-year tenure, he served as vice president of supply chain management for the Americas and held several positions in test engineering, manufacturing engineering and operations. Previously at Sentry Schlumberger for seven years, he held several positions including production engineering, production management and test engineering over six years. Mr. Denniston received a B.S. in electrical engineering technology from the Missouri Institute of Technology in 1981 and an M.S. in computer science engineering from Santa Clara University in 1990.

**Bryn A. Fosburgh** - Bryn Fosburgh joined Trimble in 1994 as a technical service manager for surveying, mining, and construction. In 1997, Mr. Fosburgh was appointed director of development for the Company's land survey business unit where he oversaw the development of field and office software that enabled the interoperability of Trimble survey products. From October 1999 to July 2002, he served as division vice president of survey and infrastructure. From 2002 to 2005, Mr. Fosburgh served as vice president and general manager of Trimble's Geomatics and Engineering (G&E) business area, with responsibility for all the division-level activities associated with survey, construction, and infrastructure solutions. In January 2005, he was appointed vice president and general manager of the Engineering and Construction Division. Prior to Trimble, he was a civil engineer with the Wisconsin Department of Transportation responsible for coordinating the planning, data acquisition, and data analysis for statewide GPS surveying projects in support of transportation improvement projects. He has also held various engineering, research and operational positions for the U.S. Army Corps of Engineers and Defense Mapping Agency. Mr. Fosburgh received a B.S. in geology from the University of Wisconsin in Green Bay in 1985 and an M.S. in civil engineering from Purdue University in 1989.

**Mark A. Harrington** - Mark Harrington joined Trimble in January 2004 as vice president of strategy and business development. Prior to joining Trimble, Mr. Harrington served as vice president of finance at Finisar Corporation and chief financial officer for Cielo Communications, Inc., a photonics components manufacturer, from February 1998 to September 2002, and Vixel Corporation, a photonics manufacturer, from April 2003 to December 2003. His experience also includes 11 years at Spectra-Physics where he served in a variety of roles including vice president of finance for Spectra-Physics Lasers, Inc. and vice president of finance for Spectra-Physics Analytical, Inc. Mr. Harrington began his career at Varian Associates, Inc. where he held a variety of management and individual positions in finance, operations and IT. Mr. Harrington received his B.S. in Business Administration from the University of Nebraska-Lincoln.

**Debi Hirshlag** - Debi Hirshlag joined Trimble in July 2005 as vice president of human resources. Prior to joining Trimble, Ms. Hirshlag served as vice president of human resources at Ariba Inc., a purchasing technology company from January 2003 to July 2004, and vice president of corporate services at Latitude Communications, a conferencing software provider from January 2001 to December 2002. In addition, she has held human resources positions at Seagate Technology, Inc., Pepsi-Cola and Amoco Corporation. Ms. Hirshlag received her B.S. in industrial management from Carnegie Mellon University and an M.A. in labor and industrial relations from the University of Illinois.

**John E. Huey** - John Huey joined Trimble in 1993 as director corporate credit and collections, and was promoted to assistant treasurer in 1995 and treasurer in 1996. Past experience includes two years with ENTEx Information Services, five years with National Refractories and Minerals Corporation (formerly Kaiser Refractories), and thirteen years with Kaiser Aluminum and Chemical Sales, Inc. He has held positions in credit management, market research, inventory control, sales, and as an assistant controller. Mr. Huey received his B.A. degree in Business Administration in 1971 from Thiel College in Greenville, Pennsylvania and an MBA in 1972 from West Virginia University in Morgantown, West Virginia.

***Irwin L. Kwatek*** - Irwin Kwatek has served as vice president and general counsel of Trimble since November 2000. Prior to joining Trimble, Mr. Kwatek was vice president and general counsel of Tickets.com, a ticketing service provider, from May 1999 to November 2000. Prior to Tickets.com, he was engaged in the private practice of law for more than six years. During his career, he has served as vice president and general counsel to several publicly held high-tech companies including Emulex Corporation, Western Digital Corporation and General Automation, Inc. Mr. Kwatek received his B.B.A. from Adelphi College in Garden City, New York and an M.B.A. from the University of Michigan in Ann Arbor. He received his J.D. from Fordham University in New York City in 1968.

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**Michael W. Lesyna** - Michael Lesyna joined Trimble in September 1999 as vice president of strategic marketing. In September 2000, he was appointed vice president and general manager of the Mobile Solutions Division. In July 2004, Lesyna was appointed vice president of Business Transformation. In this cross-divisional role he focuses on driving operational improvements based on the marketing, sales and distribution channel strategies of Trimble's business segments. The scope of his work includes tailored business prioritization as well as lean manufacturing and lean overhead principles. Prior to Trimble, Mr. Lesyna spent six years at Booz Allen & Hamilton where he most recently served as a principal in the operations management group. Prior to Booz Allen & Hamilton, Mr. Lesyna held a variety of engineering positions at Allied Signal Aerospace. Mr. Lesyna received his M.B.A., as well as an M.S. and B.S. in mechanical engineering from Stanford University.

**Bruce E. Peetz** - Bruce Peetz has served as vice president of Advanced Technology and Systems since 1998 and has been with Trimble for 18 years. From 1996 to 1998, Mr. Peetz served as general manager of the Survey Business. Prior to joining Trimble, Mr. Peetz was a research and development manager at Hewlett-Packard for 10 years. Mr. Peetz received his B.S. in electrical engineering from Massachusetts Institute of Technology in Cambridge, Massachusetts in 1973.

**Julie Shepard** - Julie Shepard joined Trimble in December of 2006 as vice president of finance. Ms. Shepard brings with her over 20 years of experience in a broad range of finance roles. She is responsible for Trimble's worldwide finance operations including financial planning, accounting, external reporting, and compliance. Most recently, Ms. Shepard served as vice president of finance and corporate controller at Quantum Corporation, from 2004 to 2006, and vice president of finance at Nishan Systems, from 2000 to 2003. Ms. Shepard began her career at Price Waterhouse and is a Certified Public Accountant. She received a B.S from California State University where she majored in Accounting.

**Alan R. Townsend** - Alan Townsend has served as vice president and general manager of the Field Solutions business area since November 2001. From 1995 to 2001, Mr. Townsend was general manager of Mapping and GIS. Mr. Townsend joined Trimble in 1991 as the manager of Trimble Navigation New Zealand Ltd. Prior to Trimble, Mr. Townsend held a variety of technical and senior management roles within the Datacom Group of companies in New Zealand including managing director of Datacom Software Research Ltd. from 1986 to 1991. In addition, Mr. Townsend is a director of IT Capital Ltd., a venture capital company based in Auckland, New Zealand. He is also a fellow of the New Zealand Institute of Management and a past president of the New Zealand Software Exporters Association. Mr. Townsend received a B.S.c in economics from the University of Canterbury in 1970.

**Dennis L. Workman** - Dennis Workman has served as vice president and general manager of Trimble's Component Technologies segment since September 1999. From 1998 to 1999, Mr. Workman was senior director and chief technical officer of the newly formed Mobile and Timing Technologies (MTT) business group, also serving as general manager of Trimble's Automotive and Timing group. In 1997, he was director of engineering for Software & Component Technologies. Mr. Workman joined Trimble in 1995 as director of the newly created Timing vertical market. Prior to Trimble, Mr. Workman held various senior-level technical positions at Datum Inc. During his nine year tenure at Datum, he held the position of CTO. Mr. Workman received a B.S. in mathematics and physics from St. Mary's College in 1967 and an M.S. in electrical engineering from the Massachusetts Institute of Technology in 1969.

**Item 1A.**

**Risk Factors.**

**RISKS AND UNCERTAINTIES**

You should carefully consider the following risk factors, in addition to the other information contained in this Form 10-K and in any other documents to which we refer you in this Form 10-K, before purchasing our securities. The risks and uncertainties described below are not the only ones we face.

*Our Inability to Accurately Predict Orders and Shipments May Affect Our Revenue, Expenses and Earnings per Share.*

We have not been able in the past to consistently predict when our customers will place orders and request shipments so that we cannot always accurately plan our manufacturing requirements. As a result, if orders and shipments differ from what we predict, we may incur additional expenses and build excess inventory, which may require additional reserves and allowances. Any significant change in our customers' purchasing patterns could have a material adverse effect on our operating results and reported earnings per share for a particular quarter.

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*Our Operating Results in Each Quarter May Be Affected by Special Conditions, Such As Seasonality, Late Quarter Purchases, Weather, and Other Potential Issues.*

Due in part to the buying patterns of our customers, a significant portion of our quarterly revenues occurs from orders received and immediately shipped to customers in the last few weeks and days of each quarter, although our operating expenses tend to remain fairly predictable. Engineering and construction purchases tend to occur in early spring, and governmental agencies tend to utilize funds available at the end of the government's fiscal year for additional purchases at the end of our third fiscal quarter in September of each year. Concentrations of orders sometimes also occur at the end of our other two fiscal quarters. Additionally, a majority of our sales force earns commissions on a quarterly basis which may cause concentrations of orders at the end of any fiscal quarter. If for any reason expected sales are deferred, orders are not received, or shipments are delayed a few days at the end of a quarter, our operating results and reported earnings per share for that quarter could be significantly impacted.

*We Are Dependent on a Specific Manufacturer and Assembler for Many of Our Products and on Specific Suppliers of Critical Parts for Our Products.*

We are substantially dependent upon Soletron Corporation in California, China and Mexico as our preferred manufacturing partner for many of our GPS products previously manufactured out of our Sunnyvale facilities. Under the agreement with Soletron, we provide to Soletron a twelve-month product forecast and place purchase orders with Soletron at least thirty calendar days in advance of the scheduled delivery of products to our customers depending on production lead time. Although purchase orders placed with Soletron are cancelable, the terms of the agreement would require us to purchase from Soletron all inventory not returnable or usable by other Soletron customers. Accordingly, if we inaccurately forecast demand for our products, we may be unable to obtain adequate manufacturing capacity from Soletron to meet customers' delivery requirements or we may accumulate excess inventories, if such inventories are not usable by other Soletron customers. Our current contract with Soletron continues in effect until either party gives the other ninety days written notice.

In addition, we rely on specific suppliers for a number of our critical components. We have experienced shortages of components in the past. Our current reliance on specific or a limited group of suppliers involves several risks, including a potential inability to obtain an adequate supply of required components and reduced control over pricing. Any inability to obtain adequate deliveries or any other circumstance that would require us to seek alternative sources of supply or to manufacture such components internally could significantly delay our ability to ship our products, which could damage relationships with current and prospective customers and could harm our reputation and brand, and could have a material adverse effect on our business.

*Our Annual and Quarterly Performance May Fluctuate.*

Our operating results have fluctuated and can be expected to continue to fluctuate in the future on a quarterly and annual basis as a result of a number of factors, many of which are beyond our control. Results in any period could be affected by:

- changes in market demand,
- competitive market conditions,
- market acceptance of existing or new products,
- fluctuations in foreign currency exchange rates,
- the cost and availability of components,
- our ability to manufacture and ship products,
- the mix of our customer base and sales channels,
- the mix of products sold,

- our ability to expand our sales and marketing organization effectively,
- our ability to attract and retain key technical and managerial employees,
- the timing of shipments of products under contracts and
- general global economic conditions.

In addition, demand for our products in any quarter or year may vary due to the seasonal buying patterns of our customers in the agricultural and engineering and construction industries. Due to the foregoing factors, our operating results in one or more future periods are expected to be subject to significant fluctuations. The price of our common stock could decline substantially in the event such fluctuations result in our financial performance being below the expectations of public market analysts and investors, which are based primarily on historical models that are not necessarily accurate representations of the future.

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*Our Gross Margin Is Subject to Fluctuation.*

Our gross margin is affected by a number of factors, including product mix, product pricing, cost of components, foreign currency exchange rates and manufacturing costs. For example, sales of Nikon-branded products generally have lower gross margins as compared to our GPS survey products. Absent other factors, a shift in sales towards Nikon-branded products would lead to a reduction in our overall gross margins. A decline in gross margin could potentially negatively impact our earnings per share.

*Failure to Maintain Effective Internal Controls in Compliance With Section 404 of the Sarbanes-Oxley Act Could Have an Adverse Effect on our Business and Stock Price.*

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to include an internal control report of management in our Annual Report on Form 10-K. For fiscal 2004, 2005, and 2006 we satisfied the requirements of Section 404, which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent auditors addressing these assessments.

A system of controls, however well designed and operated, cannot provide absolute assurance that the objectives of the system will be met. In addition, the design of a control system is based in part upon certain assumptions about the likelihood of future events. Because of the inherent limitations of control systems, there is only reasonable assurance that our controls will succeed in achieving their stated goals under all potential future conditions.

*We Are Dependent on New Products.*

Our future revenue stream depends to a large degree on our ability to bring new products to market on a timely basis. We must continue to make significant investments in research and development in order to continue to develop new products, enhance existing products and achieve market acceptance of such products. We may incur problems in the future in innovating and introducing new products. Our development stage products may not be successfully completed or, if developed, may not achieve significant customer acceptance. If we were unable to successfully define, develop and introduce competitive new products, and enhance existing products, our future results of operations would be adversely affected. Development and manufacturing schedules for technology products are difficult to predict, and we might not achieve timely initial customer shipments of new products. The timely availability of these products in volume and their acceptance by customers are important to our future success. A delay in new product introductions could have a significant impact on our results of operations.

*We Are Dependent on Proprietary Technology.*

Our future success and competitive position is dependent upon our proprietary technology, and we rely on patent, trade secret, trademark and copyright law to protect our intellectual property. The patents owned or licensed by us may be invalidated, circumvented, and challenged. The rights granted under these patents may not provide competitive advantages to us. Any of our pending or future patent applications may not be issued within the scope of the claims sought by us, if at all.

Others may develop technologies that are similar or superior to our technology, duplicate our technology or design around the patents owned by us. In addition, effective copyright, patent and trade secret protection may be unavailable, limited or not applied for in certain countries. The steps taken by us to protect our technology might not prevent the misappropriation of such technology.

The value of our products relies substantially on our technical innovation in fields in which there are many current patent filings. We recognize that as new patents are issued or are brought to our attention by the holders of such



patents, it may be necessary for us to withdraw products from the market, take a license from such patent holders, or redesign our products. We do not believe any of our products currently infringe patents or other proprietary rights of third parties, but we cannot be certain they do not do so. In addition, the legal costs and engineering time required to safeguard intellectual property or to defend against litigation could become a significant expense of operations. Such events could have a material adverse effect on our revenues or profitability.

*Our Products May Contain Errors or Defects, which Could Result in Damage to Our Reputation, Lost Revenues, Diverted Development Resources and Increased Service Costs, Warranty Claims and Litigation.*

Our devices are complex and must meet stringent requirements. We warrant that our products will be free of defect for various periods of time, depending on the product. In addition, certain of our contracts include epidemic failure clauses. If invoked, these clauses may entitle the customer to return or obtain credits for products and inventory, or to cancel outstanding purchase orders even if the products themselves are not defective.

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We must develop our products quickly to keep pace with the rapidly changing market, and we have a history of frequently introducing new products. Products and services as sophisticated as ours could contain undetected errors or defects, especially when first introduced or when new models or versions are released. In general, our products may not be free from errors or defects after commercial shipments have begun, which could result in damage to our reputation, lost revenues, diverted development resources, increased customer service and support costs and warranty claims and litigation which could harm our business, results of operations and financial condition.

*We Are Dependent on the Availability of Allocated Bands within the Radio Frequency Spectrum.*

Our GPS technology is dependent on the use of the Standard Positioning Service (“SPS”) provided by the US Government’s GPS. The GPS SPS operates in radio frequency bands that are globally allocated for radio navigation satellite services. International allocations of radio frequency are made by the International Telecommunications Union (“ITU”), a specialized technical agency of the United Nations. These allocations are further governed by radio regulations that have treaty status and which may be subject to modification every two to three years by the World Radio Communication Conference.

Any ITU reallocation of radio frequency bands, including frequency band segmentation or sharing of spectrum, may materially and adversely affect the utility and reliability of our products. Many of our products use other radio frequency bands, together with the GPS signal, to provide enhanced GPS capabilities, such as real-time kinematic precision. The continuing availability of these non-GPS radio frequencies is essential to provide enhanced GPS products to our precision survey and construction machine controls markets. Any regulatory changes in spectrum allocation or in allowable operating conditions may cause a material adverse effect on our operating results.

In addition, unwanted emissions from mobile satellite services and other equipment operating in adjacent frequency bands or in-band from licensed and unlicensed devices may materially and adversely affect the utility and reliability of our products. The Federal Communications Commission (FCC) continually receives proposals for novel technologies and services, such as ultra-wideband technologies, which may seek to operate in, or across, the radio frequency bands currently used by the GPS SPS and other public safety services. Adverse decisions by the FCC that result in harmful interference to the delivery of the GPS SPS and other radio frequency spectrum also used in our products may result in a material adverse effect on our business and financial condition.

*Many of Our Products Rely on GNSS technology, the GPS and other Satellite Systems*

GNSS technology, GPS satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The satellites currently in orbit were originally designed to have lives of 7.5 years and are subject to damage by the hostile space environment in which they operate. However, of the current deployment of 30 satellites in place, some have already been in operation for more than 12 years. To repair damaged or malfunctioning satellites is currently not economically feasible. If a significant number of satellites were to become inoperable, there could be a substantial delay before they are replaced with new satellites. A reduction in the number of operating satellites may impair the current utility of the GPS system and the growth of current and additional market opportunities.

In 2004, a Presidential policy affirmed a 1996 Presidential Decision Directive that marked the first time in the evolution of GPS that access for civilian use was free of direct user fees. In addition, Presidential policy has been complemented by corresponding legislation, that was signed into law. However, there can be no assurance that the U.S. Government will remain committed to the operation and maintenance of GPS satellites over a long period, or that the policies of the U.S. Government for the use of GPS without charge will remain unchanged. Because of ever-increasing commercial applications of GPS, other U.S. Government agencies may become involved in the administration or the regulation of the use of GPS signals. Any of the foregoing factors could affect the willingness of

buyers of our products to select GPS-based systems instead of products based on competing technologies.

Many of our products also use signals from systems that augment GPS, such as the Wide Area Augmentation System (WAAS) and National Differential GPS System (NDGPS). Many of these augmentation systems are operated by the federal government and rely on continued funding and maintenance of these systems. In addition, some of our products also use satellite signals from the Russian Glonass System. Any curtailment of the operating capability of these systems could result in decreased user capability thereby impacting our markets.

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The European governments have begun development of an independent satellite navigation system, known as Galileo. We have access to the preliminary signal design, which is subject to change. Although an operational Galileo system is several years away, if we are unable to develop a timely commercial product, it may have a materially adverse effect on our business and operating results.

*We may be Materially Affected by New Regulatory Requirements.*

We are subject to various federal, state and local environmental laws and regulations that govern our operations, including the handling and disposal of non-hazardous and hazardous wastes, and emissions and discharges into the environment. Failure to comply with such laws and regulations could result in costs for corrective action, penalties, or the imposition of other liabilities.

In particular, under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating hazardous substances or petroleum products on or from its property, without regard to whether the owner or operator knew of, or caused, the contamination, as well as incur liability to third parties impacted by such contamination. In addition, we face increasing complexity in our product design and procurement operations as we adjust to new and upcoming requirements relating to the materials composition of many of our products. The European Union ("EU") adopted new directives to manage the use of hazardous materials and to facilitate the recycling of electrical and electronic equipment sold in the EU. One of these is the Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment ("RoHS") directive. The RoHS directive restricts the use of lead, mercury and certain other substances in electrical and electronic products placed on the market in the European Union after July 1, 2006.

China adopted the Management Measures on Electronic Information Product Pollution Control to manage toxic and hazardous substances in electronic information products in 2006. Also known as "China RoHS," the new regulations will require labeling of products containing toxic or hazardous substances placed on the Chinese market after March 1, 2007. Similar laws and regulations have been or may be enacted in other regions, including in the United States and Japan. Other environmental regulations may require us to reengineer our products to utilize components which are more environmentally compatible and such reengineering and component substitution may result in additional costs to us. Although we do not anticipate any material adverse effects based on the nature of our operations and the effect of such laws, there is no assurance that such existing laws or future laws will not have a material adverse effect on our business.

*Our Business is Subject to Disruptions and Uncertainties Caused by War or Terrorism.*

Acts of war or acts of terrorism could have a material adverse impact on our business, operating results, and financial condition. The threat of terrorism and war and heightened security and military response to this threat, or any future acts of terrorism, may cause further disruption to our economy and create further uncertainties. To the extent that such disruptions or uncertainties result in delays or cancellations of orders, or the manufacture or shipment of our products, our business, operating results, and financial condition could be materially and adversely affected.

*We Are Exposed to Fluctuations in Currency Exchange Rates.*

A significant portion of our business is conducted outside the U.S., and as such, we face exposure to movements in non-U.S. currency exchange rates. These exposures may change over time as business practices evolve and could have a material adverse impact on our financial results and cash flows. Fluctuation in currency impacts our operating results.

Currently, we hedge only those currency exposures associated with certain assets and liabilities denominated in non-functional currencies. The hedging activities undertaken by us are intended to offset the impact of currency fluctuations on certain non-functional currency assets and liabilities. Our attempts to hedge against these risks may not be successful resulting in an adverse impact on our net income.

*We Face Risks in Investing in and Integrating New Acquisitions.*

We have recently acquired a number of companies, including @Road, and intend to continue to acquire other companies. Acquisitions of companies entail numerous risks, including:

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- potential inability to successfully integrate acquired operations and products or to realize cost savings or other anticipated benefits from integration;
- diversion of management's attention from on-going business concerns;
- loss of key employees of acquired operations;
- the difficulty of assimilating geographically dispersed operations and personnel of the acquired companies;
- the potential disruption of our ongoing business;
- unanticipated expenses related to such integration;
- the correct assessment of the relative percentages of in-process research and development expense that can be immediately written off as compared to the amount which must be amortized over the appropriate life of the asset;
- the impairment of relationships with employees and customers of either an acquired company or our own business;
- the potential unknown liabilities associated with acquired business;
- inability to recover strategic investments in development stage entities; and
- insufficient revenues to offset increased expenses associated with acquisitions.

As a result of such acquisitions, we have significant assets that include goodwill and other purchased intangibles. The testing of these intangibles under established accounting guidelines for impairment requires significant use of judgment and assumptions. Changes in business conditions could require adjustments to the valuation of these assets. In addition, losses incurred by a company in which we have an investment may have a direct impact on our financial statements or could result in our having to write-down the value of such investment. Any such problems in integration or adjustments to the value of the assets acquired could harm our growth strategy and have a material adverse effect on our business, financial condition and compliance with debt covenants.

*Our Debt Could Adversely Affect Our Cash Flow and Prevent Us from Fulfilling Our Obligations.*

Upon consummation of the @Road acquisition, on February 20, 2007, we borrowed \$250 million under an amended credit agreement and term loan which has increased our outstanding indebtedness and interest expense. Our debt could have important consequences, such as:

- requiring us to dedicate a portion of our cash flow from operations and other capital resources to debt service, thereby reducing our ability to fund working capital, capital expenditures and other cash requirements;
- increasing our vulnerability to adverse economic and industry conditions;
- limiting our flexibility in planning for, or reacting to, changes and opportunities in, our industry, which may place us at a competitive disadvantage; and
- limiting our ability to incur additional debt on acceptable terms, if at all.

Additionally, if we were to default under our amended credit agreement and were unable to obtain a waiver for such a default, interest on the obligations would accrue at an increased rate and the lenders could accelerate our obligations under the amended credit agreement, however that acceleration will be automatic in the case of bankruptcy and insolvency events of default. Additionally, our subsidiaries that have guaranteed the amended credit agreement could be required to pay the full amount of our obligations under the amended credit agreement. Any such action on the part of the lenders against us could have a materially adverse impact on our business, financial condition, and results of operations.

*We May Not Be Able to Enter Into or Maintain Important Alliances.*

We believe that in certain business opportunities our success will depend on our ability to form and maintain alliances with industry participants, such as Caterpillar, Nikon, and CNH Global. Our failure to form and maintain such alliances, or the pre-emption of such alliances by actions of competitors or us, will adversely affect our ability to penetrate emerging markets. No assurances can be given that we will not experience problems from current or future

alliances or that we will realize value from any such strategic alliances.

*We Face Competition in Our Markets.*

Our markets are highly competitive and we expect that both direct and indirect competition will increase in the future. Our overall competitive position depends on a number of factors including the price, quality and performance of our products, the level of customer service, the development of new technology and our ability to participate in emerging markets. Within each of our markets, we encounter direct competition from other GPS, optical and laser suppliers and competition may intensify from various larger U.S. and non-U.S. competitors and new market entrants, particularly from emerging markets such as China and India, some of which may be our current customers. The competition in the future may, in some cases, result in price reductions, reduced margins or loss of market share, any of which could materially and adversely affect our business, operating results and financial condition. We believe that our ability to compete successfully in the future against existing and additional competitors will depend largely on our ability to execute our strategy to provide systems and products with significantly differentiated features compared to currently available products. We may not be able to implement this strategy successfully, and our products may not be competitive with other technologies or products that may be developed by our competitors, many of whom have significantly greater financial, technical, manufacturing, marketing, sales and other resources than we do.

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*We Must Carefully Manage Our Future Growth.*

Growth in our sales or continued expansion in the scope of our operations could strain our current management, financial, manufacturing and other resources, and may require us to implement and improve a variety of operating, financial and other systems, procedures, and controls. We have recently implemented a new enterprise resource planning software system and we may experience in our financial and order management processing as a result of new procedures. Problems associated with any improvement or expansion of these systems, procedures or controls may adversely affect our operations and these systems, procedures or controls may not be designed, implemented or improved in a cost-effective and timely manner. Any failure to implement, improve and expand such systems, procedures, and controls in a timely and efficient manner could harm our growth strategy and adversely affect our financial condition and ability to achieve our business objectives.

*We Are Subject to the Impact of Governmental and Other Similar Certifications.*

We market certain products that are subject to governmental and similar certifications before they can be sold. For example, CE certification for radiated emissions is required for most GPS receiver and data communications products sold in the European Union. An inability to obtain such certifications in a timely manner could have an adverse effect on our operating results. Also, some of our products that use integrated radio communication technology require product type certification and some products require an end user to obtain licensing from the FCC for frequency-band usage. These are secondary licenses that are subject to certain restrictions. An inability or delay in obtaining such certifications or changes to the rules by the FCC could adversely affect our ability to bring our products to market which could harm our customer relationships and have a material adverse effect on our business.

*We Are Subject to the Adverse Impact of Radio Frequency Congestion.*

We have certain products, such as GPS RTK systems, and surveying and mapping systems that use integrated radio communication technology requiring access to available radio frequencies allocated by the FCC (or the NTIA in the case of federal government users of this equipment) for which the end user is required to obtain a license in order to operate their equipment. In addition, access to these frequencies by state agencies is under management by state radio communications coordinators. Some bands are experiencing congestion that excludes their availability for access by state agencies in some states. To reduce congestion, the FCC announced that it will require migration of radio technology from wideband to narrowband operations in these bands. The rules require migration of users to narrowband channels by 2011. In the meantime congestion could cause FCC coordinators to restrict or refuse licenses. An inability to obtain access to these radio frequencies by end users could have an adverse effect on our operating results.

*The Volatility of Our Stock Price Could Adversely Affect Your Investment in Our Common Stock.*

The market price of our common stock has been, and may continue to be, highly volatile. During fiscal 2006, our stock price ranged from \$17.51 to \$26.18, on a post-split basis. We believe that a variety of factors could cause the price of our common stock to fluctuate, perhaps substantially, including:

- announcements and rumors of developments related to our business or the industry in which we compete;
- quarterly fluctuations in our actual or anticipated operating results and order levels;
- general conditions in the worldwide economy, including fluctuations in interest rates;
- announcements of technological innovations;
- acquisition announcements;
- new products or product enhancements by us or our competitors;
- developments in patents or other intellectual property rights and litigation;



- developments in our relationships with our customers and suppliers; and
- any significant acts of terrorism against the United States.

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In addition, in recent years the stock market in general and the markets for shares of "high-tech" companies in particular, have experienced extreme price fluctuations which have often been unrelated to the operating performance of affected companies. Any such fluctuations in the future could adversely affect the market price of our common stock, and the market price of our common stock may decline.

*Provisions in Our Charter Documents and Under California Law Could Prevent or Delay a Change of Control, which Could Reduce the Market Price of Our Common Stock.*

Certain provisions of our articles of incorporation, as amended and restated, our bylaws, as amended and restated, and the California General Corporation Law may be deemed to have an anti-takeover effect and could discourage a third party from acquiring, or make it more difficult for a third party to acquire, control of us without approval of our board of directors. These provisions could also limit the price that certain investors might be willing to pay in the future for shares of our common stock. Certain provisions allow the board of directors to authorize the issuance of preferred stock with rights superior to those of the common stock.

We have adopted a Preferred Shares Rights Agreement, commonly known as a "poison pill." The provisions described above, our poison pill and provisions of the California General Corporation Law may discourage, delay or prevent a third party from acquiring us.

**Item 1B.****Unresolved Staff Comments.**

None

**Item 2.****Properties.**

The following table sets forth the significant real property that we own or lease as of February 23, 2007:

Location	Segment(s) served	Size in Sq. Feet	Commitment
Sunnyvale, California	All	160,000	Leased, expiring 2012 3 buildings
Huber Heights (Dayton), Ohio	Engineering & Construction	150,000	Owned, no encumbrances
	Field Solutions	57,200	Leased, expiring in 2011
	Distribution	35,600	Leased, month to month
Westminster, Colorado	Engineering & Construction,	76,000	Leased, expiring 2013
	Field Solutions		
Corvallis, Oregon	Engineering & Construction	20,000	Owned, no encumbrances
		38,000	Leased, expiring 2007
Richmond Hill, Canada	Advanced Devices	50,200	Leased, expiring 2007
Danderyd, Sweden	Engineering & Construction	93,900	Leased, expiring 2010
Christchurch, New Zealand	Engineering & Construction,	65,000	Leased, expiring 2010 2 buildings
	Mobile Solutions, Field Solutions		
Fremont, California (@Road)	Mobile Solutions	102,544	Leased, expiring 2010 2 buildings
Chennai, India (@Road)	Mobile Solutions	37,910	Leased, expiring 2009

In addition, we lease a number of smaller offices around the world primarily for sales and manufacturing functions. For financial information regarding obligations under leases, see Note 10 of the Notes to the Consolidated Financial Statements.

\* We believe that our facilities are adequate to support current and near-term operations.

**Item 3.**

**Legal Proceedings.**

From time to time, the Company is involved in litigation arising out of the ordinary course of its business. There are no known claims or pending litigation expected to have a material effect on our overall financial position, results of operations, or liquidity.

Table of Contents**Item 4. Submission of Matters to a Vote of Security Holders.**

No matters were submitted to a vote of security holders during the fourth quarter of 2006.

**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our common stock is traded on the NASDAQ National Market under the symbol "TRMB." The table below sets forth, during the periods indicated, the high and low per share sale prices for our common stock as reported on the NASDAQ National Market.

Quarter Ended	2006 Sales Price		2005 Sales Price	
	High	Low	High	Low
First quarter	\$ 22.53	\$ 17.51	\$ 19.12	\$ 15.02
Second quarter	24.26	19.68	20.56	15.04
Third quarter	25.55	21.29	22.28	15.58
Fourth quarter	26.18	22.10	18.98	13.32

*2-for-1 Stock Split*

On January 17, 2007, Trimble's Board of Directors approved a 2-for-1 split of all outstanding shares of the Company's Common Stock, payable February 22, 2007 to stockholders of record on February 8, 2007. All shares and per share information presented has been adjusted to reflect the stock split on a retroactive basis for all periods presented.

As of December 29, 2006, there were approximately 1,009 holders of record of our common stock.

**Dividend Policy**

We have not declared or paid any cash dividends on our common stock during any period for which financial information is provided in this Annual Report on Form 10-K. At this time, we intend to retain future earnings, if any, to fund the development and growth of our business and do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Under the existing terms of our credit facility, we are allowed to pay dividends and repurchase shares of our common stock in any twelve (12) month period, in an aggregate amount equal to fifty percent (50%) of net income (plus to the extent deducted in determining net income for such period, non-cash expenses in respect of stock options) for the previous twelve month period. Also, we are allowed to spend an additional \$50 million to pay dividends and repurchase shares if we are in compliance with our fixed charge coverage ratio.

Table of Contents**Item 6.****Selected Financial Data**

The following selected consolidated financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes appearing elsewhere in this annual report. Historical results are not necessarily indicative of future results. In particular, because the results of operations and financial condition related to our acquisitions are included in our Consolidated Statements of Income and Consolidated Balance Sheets data commencing on those respective acquisition dates, comparisons of our results of operations and financial condition for periods prior to and subsequent to those acquisitions are not indicative of future results.

As of And For the Fiscal Years Ended	December 29, 2006	December 30, 2005	December 31, 2004	January 2, 2004	January 3, 2003
<i>(Dollar in thousands, except per share data)</i>					
Revenue	\$ 940,150	\$ 774,913	\$ 668,808	\$ 540,903	\$ 466,602
Gross margin	\$ 461,081	\$ 389,805	\$ 324,810	\$ 268,030	\$ 234,432
Gross margin percentage	49%	50%	49%	50%	50%
Income from continuing operations	\$ 103,658	\$ 84,855	\$ 67,680	\$ 38,485	\$ 10,324
Net income	\$ 103,658	\$ 84,855	\$ 67,680	\$ 38,485	\$ 10,324
Per common share (1):					
Net income (1)					
- Basic	\$ 0.94	\$ 0.80	\$ 0.66	\$ 0.41	\$ 0.12
- Diluted	\$ 0.89	\$ 0.75	\$ 0.62	\$ 0.38	\$ 0.12
Shares used in calculating basic earnings per share (1)	110,044	106,432	102,326	95,010	85,720
Shares used in calculating diluted earnings per share (1)	116,072	113,638	109,896	100,024	87,156
Cash dividends per share	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets	\$ 978,431	\$ 743,088	\$ 653,978	\$ 552,602	\$ 447,704
Non-current portion of long term debt and other non-current liabilities	\$ 28,000	\$ 19,474	\$ 38,226	\$ 85,880	\$ 114,051

(1) 2-for-1 Stock Split - On January 17, 2007, Trimble’s Board of Directors approved a 2-for-1 split of all outstanding shares of the Company’s Common Stock, payable February 22, 2007 to stockholders of record on February 8, 2007. All shares and per share information presented has been adjusted to reflect the stock split on a retroactive basis for all periods presented.

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**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion should be read in conjunction with the consolidated financial statements and the related notes. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and those listed under "Risks Factors."*

**EXECUTIVE LEVEL OVERVIEW**

Trimble's focus is on combining positioning technology with wireless communication and application capabilities to create system-level solutions that enhance productivity and accuracy for our customers. The majority of our markets are end-user markets, including engineering and construction firms, governmental organizations, public safety workers, farmers and companies who must manage fleets of mobile workers and assets. In our Advanced Devices segment, we also provide components to original equipment manufacturers to incorporate into their products. In the end user markets, we provide a system that includes a hardware platform that may contain software and customer support. Some examples of our solutions include products that automate and simplify the process of surveying land, products that automate the utilization of equipment such as tractors and bulldozers, products that enable a company to manage its mobile workforce and assets, and products that allow municipalities to manage their fixed assets.

Solutions targeted at the end-user make up a significant majority of our revenue. To create compelling products, we must attain an understanding of the end users' needs and work flow, and how location-based technology can enable that end user to work faster, more efficiently and more accurately. We use this knowledge to create highly innovative products that change the way work is done by the end-user. With the exception of our TMS segment, our products are generally sold through a dealer channel, and it is crucial that we maintain a proficient global, third-party distribution channel.

During 2006 we continued to execute our strategy with a series of actions that can be summarized in four categories.

**Reinforcing our position in existing markets**

Generally, we believe that our markets provide us with additional, substantial potential for substituting our technology for traditional methods. In 2006 we continued to develop new products and to strengthen our distribution channels to realize these opportunities. A number of new products such as Trimble S6, Trimble SPS700 Robotic Construction Total Station and the enhanced Trimble GCS900 Grade Control System strengthened our competitive position and created new value for the user.

**Extend our position in existing markets through new product categories**

We are utilizing the strength of the Trimble brand in our markets to expand our revenues by bringing new products to existing users. A 2006 example was the introduction of the AgGPS EZ-Boom 2010 product. In order to create new categories of products on the construction site we acquired Quantm, Meridian, XYZ Solutions, and Bitwyse.

**Bring existing technology to new markets**

\* We continue to reinforce our position in existing markets and positioned ourselves in newer markets that will serve as important sources of future growth. Our efforts in China, India, Russia, Korea and Eastern Europe all reflected improving financial results, with the promise of more in the future.

**Entered completely new markets**

In fiscal 2006 we acquired Visual Statement, which provides desktop software tools for crime and collision incident investigation, analysis, and reconstitution as well as state-wide enterprise solutions for reporting and analysis used by public safety agencies, and Eleven Technology, Inc., which is a mobile application software company with a leading position in the Consumer Packaged Goods industry. In addition, we increased our reach with existing products in new markets, particularly emerging markets such as China and India.

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**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our accounting policies are more fully described in Note 2 of the Notes to the Consolidated Financial Statements. The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements. We consider the accounting policies described below to be our critical accounting policies. These critical accounting policies are impacted significantly by judgments, assumptions, and estimates used in the preparation of the Consolidated Financial Statements, and actual results could differ materially from the amounts reported based on these policies.

*Revenue Recognition*

Our revenues are recorded in accordance with the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition" and in accordance with Statement of Position (SOP) No. 97-2, "Software Revenue Recognition" and Statement of Position (SOP) No. 98-9, "Modification of SOP 97-2". The Company recognizes product revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is reasonably assured. In instances where final acceptance of the product is specified by the customer or is uncertain, revenue is deferred until all acceptance criteria have been met.

Contracts and customer purchase orders are typically used to determine the existence of an arrangement. Shipping documents and customer acceptance, when applicable, are used to verify delivery. We assess whether the fee is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment. We assess collectibility based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history.

Our shipment terms for US orders, and international orders fulfilled from its European distribution center are typically FCA (Free Carrier) shipping point, except certain sales to US government agencies which are shipped FOB destination. FCA shipping point means that we fulfill the obligation and title has passed to the buyer upon delivery of the goods to the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, we may choose within the place or range stipulated where the carrier will take the goods into carrier's charge. FOB destination means revenue for orders are not recognized until the product is delivered and title has transferred to the buyer. We bear all costs and risks of loss or damage to the goods up to that point. Shipping and handling costs are included in the cost of goods sold.

Revenue to distributors and resellers is recognized upon delivery, assuming all other criteria for revenue recognition have been met. Distributors and resellers do not have a right of return.

Revenues from purchased extended warranty and support agreements are deferred and recognized ratably over the term of the warranty/support period.

We apply Statement of Position (SOP) No. 97-2, "Software Revenue Recognition" to products where the embedded software is more than incidental to the functionality of the hardware. This determination requires significant judgment including a consideration of factors such as marketing, research and development efforts and any postcustomer contract support relating to the embedded software.

In accordance with Emerging Issues Task Force (EITF) Issue 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables," when a non-software sale involves multiple elements the entire fee from the arrangement is allocated to each respective element based on its relative fair value and recognized when revenue recognition criteria for each element are met.



Our software arrangements generally consist of a perpetual license fee and post contract customer support (PCS). We have established vendor-specific objective evidence (VSOE) of fair value for our PCS contracts based on the renewal rate. The remaining value of the software arrangement is allocated to the license fee using the residual method, which revenue is primarily recognized when the software has been delivered and there are no remaining obligations. Revenue from PCS is recognized ratably over the term of the PCS agreement.

*Allowance for Doubtful Accounts and Sales Returns*

Our accounts receivable balance, net of allowance for doubtful accounts, was \$172.0 million as of December 29, 2006, compared with \$145.1 million as of December 30, 2005. We evaluate the collectibility of our trade accounts receivable based on a number of factors such as age of the accounts receivable balances, credit quality, historical experience, and current economic conditions that may affect a customer's ability to pay. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us, a specific allowance for bad debts is estimated and recorded which reduces the recognized receivable to the estimated amount we believe will ultimately be collected. In addition to specific customer identification of potential bad debts, bad debt charges are recorded based on our recent past loss history and an overall assessment of past due trade accounts receivable amounts outstanding.

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A reserve for sales returns is established based on historical trends in product return rates experienced in the ordinary course of business. The reserve for sales returns as of December 29, 2006 and December 30, 2005 were \$900,000 and \$1.5 million, respectively, for estimated future returns that were recorded as a reduction of our accounts receivable and revenue. If the actual future returns were to deviate from the historical data on which the reserve had been established, our revenue could be adversely affected.

### *Inventory Valuation*

Our inventories, net balance was \$112.6 million as of December 29, 2006 compared with \$107.9 million as of December 30, 2005. Our inventory allowances as of December 29, 2006 were \$28.6 million, compared with \$23.2 million as of December 30, 2005. Our inventories are stated at the lower of cost or market, with costs primarily computed on a standard cost basis. Adjustments to reduce the cost of inventory to its net realizable value, if required, are made for estimated excess, obsolescence, or impaired inventory. Factors influencing these adjustments include decline in demand, technological changes, product life cycle and development plans, component cost trends, product pricing, physical deterioration, and quality issues. If actual factors are less favorable than those projected by us, additional inventory write-downs may be required.

### *Income Taxes*

Income taxes are accounted for under the liability method whereby deferred tax assets or liability account balances are calculated at the balance sheet date using current tax laws and rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not such assets will not be realized.

The company's valuation allowance is attributable to, primarily, the California Research Credit and acquisition Net Operating Loss carryforwards. Valuation allowance amounts are offsets to related deferred tax assets. Management believes that it is more likely than not that the Company will not realize these deferred tax assets and, accordingly, a valuation allowance has been established for such amounts. When the tax credits are utilized and the valuation allowance is released, the benefit of the release of the valuation allowance will be accounted for as a credit to shareholder's equity rather than as a reduction of the income tax provision.

### *Annual Goodwill Impairment Test*

Goodwill as of December 29, 2006 was \$374.5 million, compared with \$286.1 million as of December 30, 2005. The process of evaluating the potential impairment of goodwill is subjective and requires significant assumptions. If an evaluation is required, the estimated future undiscounted cash flows associated with these assets would be compared to their carrying amount to determine if a write-down to fair market value or discounted cash flow value is required.

We performed an annual impairment test of goodwill at the end of the third fiscal quarter of 2006 and 2005 and found there was no impairment of goodwill. We will continue to evaluate our goodwill for impairment on an annual basis at the end of each fiscal third quarter and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. The determination of the net carrying value of goodwill and the extent to which, if any, there is impairment are dependent on material estimates and judgments on our part, including the useful life over which the intangible assets are to be amortized, and the estimates of the value of future net cash flows, which are based upon further estimates of future revenues, expenses and operating income.

### *Accounting for Long-Lived Assets Including Intangibles Subject to Amortization*

Depreciation and amortization of our long-lived assets is provided using straight-line methods over their estimated useful lives. Changes in circumstances such as technological advances, changes to our business model, or changes in the capital strategy could result in the actual useful lives differing from initial estimates. In those cases where we determine that the useful life of a long-lived asset should be revised, we will depreciate the net book value in excess of the estimated residual value over its revised remaining useful life. Factors such as changes in the planned use of equipment, customer attrition, contractual amendments, or mandated regulatory requirements could result in shortened useful lives.

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Long-lived assets and asset groups are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made.

### *Warranty Costs*

The liability for product warranties was \$8.6 million as of December 29, 2006, compared with \$7.5 million as of December 30, 2005. We accrue for warranty costs as part of cost of sales based on associated material product costs, technical support labor costs, and costs incurred by third parties performing work on our behalf. Our expected future cost is primarily estimated based upon historical trends in the volume of product returns within the warranty period and the cost to repair or replace the equipment. The products sold are generally covered by a warranty for periods ranging from 90 days to three years, and in some instances up to 5.5 years.

While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our warranty obligation is affected by product failure rates, material usage, and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage, or service delivery costs differ from our estimates, revisions to the estimated warranty accrual and related costs may be required.

### *Stock Compensation*

We apply Standard of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment" ("SFAS 123(R)") and related interpretations in accounting for our stock option plans and stock purchase plan for fiscal 2006. As a result, the Company's financial statements for fiscal 2006 include stock-based compensation expenses that are not comparable to financial statements prior to fiscal 2006. Prior to fiscal 2006, we applied Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for our stock option plans and stock purchase plan. Accordingly, we did not recognize compensation cost for stock options granted at a price equal to fair market value prior to fiscal 2006.

For options granted prior to October 1, 2005, the fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model. For stock options granted on or after October 1, 2005, the fair value of each award is estimated on the date of grant using a binomial valuation model. Similar to the Black-Scholes model, the binomial model takes into account variables such as volatility, dividend yield rate, and risk free interest rate. In addition, the binomial model incorporates actual option-pricing behavior. For these reasons, we believe that the binomial model provides a fair value that is more representative of actual experience and future expected experience than the value calculated using the Black-Scholes model.

Note 14 of the Notes to the Consolidated Financial Statements describes the plans we operate, and Note 2 of the Notes to the Consolidated Financial Statements contains a summary of the effects to reported net income and earnings per share for fiscal 2006, and pro forma net income and earnings per share for fiscal 2005 and 2004 as if we had elected to recognize compensation cost based on the fair value of the options granted at grant date.

## **RECENT BUSINESS DEVELOPMENTS**

@Road, Inc.

On February 16, 2007, we acquired @Road, Inc. of Fremont, California. @Road, Inc. is a global provider of solutions designed to automate the management of mobile resources and to optimize the service delivery process for customers across a variety of industries. @Road will be reported within our Mobile Solutions business segment. This acquisition was the largest in acquisition value in the company's history. It significantly increases our presence in the mobile resource management, or MRM, market which Trimble believes is a large and fast growing market.

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\* With the addition of @Road, Trimble's TMS segment will be better able to service larger customers, with a broader and more robust solution set.

INPHO GmbH

On February 13, 2007, we acquired INPHO GmbH of Stuttgart, Germany. INPHO is a leader in photogrammetry and digital surface modeling for aerial surveying, mapping and remote sensing applications. INPHO will be reported within Trimble's Engineering and Construction segment.

Spacient Technologies, Inc.

On November 21, 2006, we acquired privately-held Spacient Technologies, Inc. of Long Beach, California. Spacient is a leading provider of enterprise field service management and mobile mapping solutions for municipalities and utilities. Spacient's performance is reported under our Field Solutions business segment.

Meridian Project Systems, Inc.

On November 7, 2006, we acquired privately-held Meridian Project Systems, Inc. of Folsom, California. Meridian provides enterprise project management and lifecycle software for optimizing the plan, build and operate lifecycle for real estate, construction and other physical infrastructure projects. Meridian's performance is reported under our Engineering and Construction business segment.

XYZ Solutions, Inc.

On October 27, 2006, we acquired privately-held XYZ Solutions, Inc., of Alpharetta, Georgia. XYZ Solutions provides real-time, interactive 3D intelligence software to manage the spatial aspects of a construction project. XYZ Solutions' performance is reported under our Engineering and Construction business segment.

Visual Statement, Inc.

On October 11, 2006, we acquired privately-held Visual Statement, Inc. of Kamloops, British Columbia, Canada. Visual Statement provides desktop software tools for crime and collision incident investigation, analysis, and reconstitution as well as state-wide enterprise solutions for reporting and analysis used by public safety agencies. Visual Statement's performance is reported under our Mobile Solutions business segment.

BitWyse Solutions, Inc.

On May 1, 2006, we acquired the assets of privately-held BitWyse Solutions, Inc. of Salem, Massachusetts. BitWyse is a provider of engineering and construction information management software. BitWyse's performance is reported under our Engineering and Construction business segment.

Eleven Technology, Inc.

On April 28, 2006, we acquired privately-held Eleven Technology, Inc. of Cambridge, Massachusetts. Eleven is a mobile application software company with a leading position in the Consumer Packaged Goods industry. Eleven's performance is reported under our Mobile Solutions business segment.

Quantm International, Inc.

On April 5, 2006, we acquired privately-held Quantm International, Inc., a provider of transportation route optimization solutions used for planning highways, railways, pipelines and canals. Quantm's performance is reported under our Engineering and Construction business segment.

XYZs of GPS, Inc.

On February 26, 2006, we acquired the assets of XYZs of GPS, Inc. of Dickerson, Maryland. XYZ develops real-time Global Navigation Satellite System or, GNSS, reference station, integrity monitoring and dynamic positioning software for meter, decimeter and centimeter applications. XYZs' performance is reported under our Engineering and Construction business segment.

Table of Contents**RESULTS OF OPERATIONS****Overview**

The following table is a summary of revenue, gross margin and operating income for the periods indicated and should be read in conjunction with the narrative descriptions below.

Fiscal Years Ended (Dollars in thousands)	December 29, 2006	December 30, 2005	December 31, 2004
Total consolidated revenue	\$ 940,150	\$ 774,913	\$ 668,808
Gross Margin	\$ 461,081	\$ 389,805	\$ 324,810
Gross Margin %	49% (1)	50%	49%
Total consolidated operating income	\$ 135,365	\$ 124,944	\$ 85,625
Operating Income %	14% (1)	16%	13%

*Basis of Presentation*

We have a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2006 was December 29, 2006. Fiscal 2006, 2005, and 2004 were 52-week years.

*Revenue*

In fiscal 2006, total revenue increased by \$165.3 million or 21% to \$940.2 million from \$774.9 million in fiscal 2005. The increase in fiscal 2006 was primarily due to stronger performances across all our operating segments. The Engineering and Construction, Field Solutions, Mobile Solutions and Advanced Devices segments increased 21%, 9%, 93%, and 13% respectively, compared to fiscal 2005. Revenue growth within these segments was driven by new product introductions, increased penetration of existing markets, and geographical expansion. Mobile Solutions growth in particular benefited from the prior year acquisitions. Overall, 2006 acquisitions impacted total company revenue growth by approximately 2%.

In fiscal 2005, total revenue increased by \$106.1 million or 16% to \$774.9 million from \$668.8 million in fiscal 2004. The increase in fiscal 2005 was primarily due to stronger performances across all our operating segments with the exception of Component Technologies. The Engineering and Construction, Field Solutions and Mobile Solutions segments increased 19%, 21% and 34%, respectively, compared to fiscal 2004. Revenue growth within these segments was driven by new product introductions and increased penetration of existing markets. Both the Engineering and Construction and Mobile Solutions operating segments also benefited from the impact of the Pacific Crest, Apache and MobileTech acquisitions.

\* During the 2006 fiscal year, sales to customers in the United States represented 54%, Europe represented 25%, Asia Pacific represented 12% and other regions represented 9% of our total revenues. During the 2005 fiscal year, sales to customers in the United States represented 54%, Europe represented 25%, Asia Pacific represented 11% and other regions represented 10% of our total revenues. We anticipate that sales to international customers will continue to account for a major portion of our revenues.

\* No single customer accounted for 10% or more of our total revenues in fiscal 2006, 2005, and 2004. It is possible, however, that in future periods the failure of one or more large customers to purchase products in quantities anticipated by us may adversely affect the results of operations.



*Gross Margin*

Our gross margin varies due to a number of factors including product mix, pricing, distribution channel used, effects of production volumes, new product start-up costs, and foreign currency translations. In fiscal 2006, our gross margin increased by \$71.3 million as compared to fiscal 2005 due to higher revenue and the success of higher margin products, including survey and machine control products and higher subscription revenues. The increase was partially offset by decreases due to the impact of the reclassification of the CTCT transactions of \$18.1 million previously recorded in non-operating expenses, amortization of software-related purchased intangibles of \$5.2 million and stock-based compensation expense of \$1.2 million that were not included in gross margin during the same period in fiscal 2005. Gross margin as a percentage of total revenues was 49% in fiscal 2006 and 50% in fiscal 2005. The 1% decrease in the gross margin percentage was driven by a decrease of 3% due to the CTCT impact, amortization of purchased intangibles and stock-based compensation, offset by an increase of 2% due to higher margin products and subscription revenues.

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In fiscal 2005, our gross margin increased by \$65.0 million due to higher revenue and success of our market segmentation strategy, higher service revenues, cost reductions, and introduction of higher margin products. Gross margin as a percentage of total revenues was 50 % in fiscal 2005 and 49% in fiscal 2004.

\* Because of potential product mix changes within and among the industry markets, market pressures on unit selling prices, fluctuations in unit manufacturing costs, including increases in component prices and other factors, current level gross margins cannot be assured.

### *Operating Income*

Operating income increased by \$10.4 million for fiscal 2006 as compared to fiscal 2005 due to higher revenues and the success of higher margin products, offset by decreases due to the impact of the reclassification of the CTCT transactions previously recorded in non-operating expenses and stock-based compensation expense that was not included in operating income during the same period in fiscal 2005.

Operating income as a percentage of total revenue was 14% for fiscal 2006 compared to 16% in fiscal 2005. The 2% decrease in operating income was due to a 4% CTCT transaction reclassification impact, amortization of purchased intangibles, increased acquisition expenses, and stock-based compensation impact, partially offset by 2% increase driven by gross margin expansion.

Operating income increased by \$39.3 million for fiscal 2005 as compared to fiscal 2004. Operating income as a percentage of total revenue was 16% as compared to 13% in fiscal 2004. The increase was due to improvement in revenues along with gross margins and greater leverage of operating expenses. Operating expenses represented 34% of total revenue in fiscal 2005 as compared to 36% in fiscal 2004.

### **Results by Segment**

To achieve distribution, marketing, production, and technology advantages in our targeted markets, we manage our operations in the following four segments: Engineering and Construction, Field Solutions, Mobile Solutions, and Advanced Devices. Operating income (loss) equals net revenue less cost of sales and operating expenses, excluding general corporate expenses, amortization of purchased intangibles, in-process research and development expenses, restructuring charges, non-operating income (expense), and income taxes.

In the first fiscal quarter of 2006, we combined the operating results of the former Component Technologies and Portfolio Technologies segments and included the combined operating results in the Advanced Devices segment. The change in presentation was made in recognition of the small size of each of the businesses relative to the total company. The presentation of prior period's segment operating results has been changed to conform to our current segment presentation.

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The following table is a breakdown of revenue and operating income by segment for the periods indicated and should be read in conjunction with the narrative descriptions below.

Fiscal Years Ended (Dollars in thousands)	December 29, 2006	December 30, 2005	December 31, 2004
<b>Engineering and Construction</b>			
Revenue	\$ 637,118	\$ 524,461	\$ 440,478
Segment revenue as a percent of total revenue	68%	68%	66%
Operating income	\$ 136,157	\$ 117,993	\$ 79,505
Operating income as a percent of segment revenue	21%	22%	18%
<b>Field Solutions</b>			
Revenue	\$ 139,230	\$ 127,843	\$ 105,591
Segment revenue as a percent of total revenue	15%	16%	16%
Operating income	\$ 37,377	\$ 32,527	\$ 25,151
Operating income as a percent of segment revenue	27%	25%	24%
<b>Mobile Solutions</b>			
Revenue	\$ 60,854	\$ 31,481	\$ 23,531
Revenue as a percent of total consolidated revenue	6%	4%	4%
Operating income (loss)	\$ 2,550	\$ (3,072)	\$ (5,997)
Operating income (loss) as a percent of segment revenue	4%	(10%)	(25%)
<b>Advanced Devices</b>			
Revenue	\$ 102,948	\$ 91,128	\$ 99,208
Segment revenue as a percent of total revenue	11%	12%	15%
Operating income	\$ 10,084	\$ 13,212	\$ 18,746
Operating income as a percent of segment revenue	10%	14%	19%

A reconciliation of our consolidated segment operating income to consolidated income before income taxes follows:

Fiscal Years Ended (In thousands)	December 29, 2006	December 30, 2005	December 31, 2004
Consolidated segment operating income	\$ 186,168	\$ 160,660	\$ 117,405
Unallocated corporate expense	(35,799)	(27,483)	(22,901)
Restructuring charges		(278)	(552)
Amortization of purchased intangible assets	(13,074)	(6,855)	(8,327)
In-process research and development	(1,930)	(1,100)	-
Non-operating income (expense), net	12,727	(156)	(10,701)
Consolidated income before income taxes	\$ 148,092	\$ 124,788	\$ 74,924

*Engineering and Construction*

Engineering and Construction revenues increased by \$112.7 million or 21% while segment operating income increased by \$18.2 million or 15% for fiscal 2006 as compared to fiscal 2005. The revenue growth was driven by the continued strength in survey products as well as increased sales of machine control products, aggressive marketing

programs and geographic expansion. Segment operating income increased as a result of higher revenues and increased sales of higher margin products, partially offset by \$5.7 million in expenses related to CTCT transactions, \$4.0 million in stock-based compensation expense that were not present in the corresponding period of fiscal 2005.

Engineering and Construction revenues increased by \$84.0 million or 19% while segment operating income increased by \$38.5 million or 48% for fiscal 2005 as compared to fiscal 2004. The revenue growth was driven by the introduction of products such as the Trimble S6 and machine control products, and growth of existing products such as the Trimble R8 GPS System. Revenue growth was also attributed to the acquisitions for fiscal 2005. Segment operating income increased as a result of higher revenues and increased sales of higher margin products.

#### *Field Solutions*

Field Solutions revenues increased by approximately \$11.4 million or 9% while segment operating income increased by \$4.9 million or 15% for fiscal year 2006 as compared to fiscal 2005. Revenue increased primarily due growth in our GIS business. In GIS, growth was due to new products and a continuing shift to a higher value, differentiated distribution channel. The agricultural business remained stable as compared to the prior year due to a steady agricultural market. Operating income increased primarily due to strong operating leverage and increased revenue, partially offset by the inclusion of stock-based compensation that was not present in the corresponding periods of fiscal 2005.

Field Solutions revenues increased by approximately \$22.3 million or 21% while segment operating income increased by \$7.4 million or 29% for fiscal year 2005 as compared to fiscal 2004. Revenue increased primarily due to successful new products such as the AgGPS EZ-Guide system and AgGPS EZ-Steer system in our agriculture product line and as a result of higher demand for both automated and manual guidance products into the agricultural market. Operating income increased primarily due to increased revenue and associated gross margins.

Table of Contents*Mobile Solutions*

Mobile Solutions revenues increased by \$29.4 million or 93% while segment operating income increased by \$5.6 million or 183% for fiscal 2006 as compared to fiscal 2005. Revenue increased due to increased subscriber growth, an increase in recurring subscription revenues, the benefit of acquisitions, especially MobileTech, and entry into new vertical markets. Operating income increased primarily due to higher subscription revenue and associated gross margins, partially offset by the inclusion of stock-based compensation that was not present in fiscal 2005.

Mobile Solutions revenues increased by \$8.0 million or 34% in fiscal 2005 over fiscal 2004 due to increased subscriber growth, an increase in sales into the ready-mix suppliers, and increased sales from our dealer channel as we continue to develop and extend this channel. Operating loss decreased by \$2.9 million or 49% in fiscal 2005 compared to fiscal 2004 primarily attributable to an increase in revenues and increase in gross margins due higher recurring service revenue.

*Advanced Devices*

Advanced Devices revenues increased by \$11.8 million or 13% while segment operating income decreased by \$3.1 million or 24% for fiscal 2006 as compared to fiscal 2005. The increase in revenue was primarily due to stronger performance in our embedded and airborne products as well as licensing revenues associated with a Nokia intellectual property agreement signed in the third quarter of fiscal 2006. Operating income decreased for fiscal 2006 due to sales of lower gross margin products, a reduction in revenue in our Military and Advanced Systems product line, increased costs related to the TrimTrac product line and inclusion of stock-based compensation that were not present in the corresponding periods of fiscal 2005, partially offset by stronger embedded and airborne product revenue and intellectual property licensing revenue.

Advanced Devices revenues decreased by \$8.1 million or 8% while segment operating income decreased by \$5.5 million or 30% for fiscal 2005 as compared to fiscal 2004. The decrease in revenue and operating income were primarily due to the decline in demand for our in-vehicle navigation products as a result of changes in buying strategies among certain automotive manufacturers, and softness in the timing business, which was offset by a stronger performance in our Applanix airborne business.

**Research and Development, Sales and Marketing, and General and Administrative Expenses**

The following table shows research and development (“R&D”), sales and marketing, and general and administrative (“G&A”) expenses in absolute dollars and as a percentage of total revenues for the fiscal years ended 2006, 2005 and 2004 and should be read in conjunction with the narrative descriptions of those operating expenses below.

Fiscal Years Ended (In thousands)	December 29, 2006		December 30, 2005		December 31, 2004	
Research and development	\$103,840	11%	\$ 84,276	11%	\$ 77,558	11%
Sales and marketing	143,623	15%	120,215	15%	108,054	16%
General and administrative	68,416	7%	52,137	7%	44,694	7%
	315,879	34%	\$256,628	33%	\$230,306	34%

Overall, R&D, sales and marketing, and G&A expenses increased by approximately \$59.3 million in fiscal 2006 compared to fiscal 2005.

Research and development expenses increased by \$19.6 million in fiscal 2006 compared to fiscal 2005 primarily due to the inclusion of expenses of \$4.6 million from acquisitions not applicable in the prior year, \$4.9 million increase in compensation related expenses, \$2.6 million in stock-based compensation expense not present in fiscal 2005 and \$2.3 million increase in R&D materials, primarily due to compliance with the European lead free initiative. All of our R&D costs have been expensed as incurred. Cost of software developed for external sale subsequent to reaching technical feasibility were not considered material and were expensed as incurred.

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Research and development expenses increased by \$6.7 million in fiscal 2005 compared to fiscal 2004 primarily due to the inclusion of expenses from acquisitions not applicable in the prior year in the amount of \$2.8 million and increase in compensation of \$2.8 million.

\* Overall research and development spending remained relatively constant at approximately 11% of revenues. We expect to continue to devote resources to the development of new products and the enhancement of existing products. We believe that research and development is critical to our strategic product development objectives and that to leverage our leading technology and meet the changing requirements of our customers, we will need to fund investments in several development projects in parallel.

Sales and marketing expenses increased by \$23.4 million in fiscal 2006 compared to fiscal 2005. The increase was primarily due the inclusion of expenses from acquisitions not applicable in the prior period in the amount of \$7.5 million, \$8.0 million increase in compensation related expenses, \$2.8 million in stock-based compensation expense not present in the third quarter of fiscal 2005, and \$1.9 million in customer trade show expenses due to increased size and attendance at the shows. Spending overall remained relatively constant at approximately 15% of revenues.

Sales and marketing expenses increased by \$12.2 million in fiscal 2005 compared to fiscal 2004, but decreased as a percent of total revenues. The increase was primarily due to advertising and promotion costs associated with the launch of new products of \$5.4 million, the inclusion of expenses from acquisitions not applicable in the prior year of \$1.5 million, increase in travel expenses of \$1.4 million, and an increase in compensation of \$1.7 million.

\* We intend to continue to focus and expand our sales and marketing efforts across all the geographies and markets we serve in order to increase market awareness of our products and to better support our existing customers worldwide. Our future growth will depend in part on the timely development and continued viability of the markets in which we currently compete as well as our ability to continue to identify and exploit new markets for our products.

General and administrative expenses increased by \$16.3 million in fiscal 2006 compared to fiscal 2005 primarily due to the inclusion of expenses from acquisitions not applicable in the prior year of \$4.3 million, \$3.9 million increase in compensation-related expenses, and \$6.0 million in stock-based compensation expense not present in fiscal 2005. Spending overall remained relatively constant at approximately 7% of revenues.

General and administrative expenses increased by \$7.4 million in fiscal 2005 compared to fiscal 2004 primarily due to an increase in compensation expense of \$5.9 million, increase in rent expense of \$1.0 million as we were making duplicate payments during our move to our new headquarters, the inclusion of expenses from acquisitions not applicable in the prior year of \$1.8 million, and increase of \$0.8 million in patent expense. This was partially offset by a decrease in bad debt expense of \$1.7 million.

**Other Operating Expenses**

*Restructuring Charges*

There were no restructuring charges recorded in fiscal 2006. Restructuring charges of \$0.3 million, and \$0.6 million were recorded in fiscal years 2005 and 2004 respectively. The charges in fiscal 2005 were primarily related to office closure costs due to integration efforts of the Mensi acquisition. The charges in fiscal 2004 were primarily related to severance costs due to the realignment of Trimble Mobile Solutions Inc. As a result of the realignment, the headcount decreased by 36 in fiscal 2004. As of December 29, 2006, an accrual balance of \$0.1 million, related to the fiscal 2005 office closure, is expected to be paid over the next several years.

*In-Process Research and Development*

We recorded in-process research and development (IPR&D) expense of \$1.9 million and \$1.1 million related to acquisitions made in fiscal 2006 and 2005 respectively. We did not record any IPR&D expense in fiscal 2004. At the date of each acquisition, the projects associated with the IPR&D efforts had not yet reached technological feasibility and the research and development in process had no alternative future uses. The value of the IPR&D was determined using a discounted cash flow model similar to the income approach, focusing on the income producing capabilities of the in-process technologies. Accordingly, the value assigned to these IPR&D amounts were charged to expense on the respective acquisition date of each of the acquired companies.



Table of Contents*Amortization of Purchased and Other Intangible Assets*

Fiscal Years Ended (in thousands)	December 29, 2006	December 30, 2005	December 31, 2004
Amortization of purchased intangibles included in cost of sales	\$ 5,168	\$ -	\$ -
Amortization of purchased intangibles included in operating expenses	7,906	\$ 6,855	\$ 8,327
Amortization of other intangible assets	185	165	183
Total amortization of purchased and other intangible assets	\$ 13,259	\$ 7,020	\$ 8,510

Total amortization expense of purchased and other intangible assets was \$13.3 million in fiscal 2006, of which \$5.4 million was recorded in cost of sales and \$7.9 million was recorded in operating expenses. Total amortization expense of purchased and other intangibles represented 1.4% of revenue in fiscal 2006, an increase of \$6.2 million from fiscal 2005 when it represented 0.9% of revenue. The increase was primarily due to the acquisition of certain technology and patent intangibles as a result of acquisitions made in fiscal 2006 as well as fiscal 2005 acquisition intangibles that included a full year of amortization expense in fiscal 2006, but only partial year amortization expense in fiscal 2005 due to the timing of the acquisitions.

Amortization expense of purchased and other intangibles represented 0.9% of revenue in fiscal 2005, a decrease of \$1.5 million from fiscal 2004 when it represented 1.3% of revenue. Although there were acquisitions in fiscal 2005, amortization expense decreased due to the fact our Spectra Precision Group intangibles were fully amortized in the second quarter of fiscal 2005.

*Non-operating Expense, Net*

The following table shows non-operating expense, net for the periods indicated and should be read in conjunction with the narrative descriptions of those expenses below:

Fiscal Years Ended (in thousands)	December 29, 2006	December 30, 2005	December 31, 2004
Interest income	\$ 3,799	\$ 836	\$ 436
Interest expense	(558)	(2,331)	(3,888)
Foreign exchange gain (loss)	1,719	1,022	(859)
Income (expenses) for affiliated operations, net	6,989	(291)	(7,590)
Other income	777	608	1,200
Total non-operating income (expense), net	\$ 12,726	\$ (156)	\$ (10,701)

Non-operating income, net increased by \$12.9 million during fiscal 2006 compared with fiscal 2005. Of this increase, \$4.7M was due to higher interest income and lower interest expense as a result of interest income earned on higher cash balances and debt repaid in fiscal 2005 and also a \$0.7 million increase in foreign currency transaction gains. In addition, expenses for affiliated operations, net increased by \$7.3 million due a \$5.2 million increase in income from affiliated operations and the absence of \$11.6 million of net transfer pricing expense with CTCT that was included in fiscal 2005, but is now included in operating income, partially offset by the recognition of a one-time deferred gain on the CTCT joint venture of \$9.3 million in fiscal 2005.

Non-operating expense, net decreased by \$10.5 million during fiscal 2005 as compared with fiscal 2004 primarily due to a decrease in net interest expense of \$2.0 million as a result of the repayment of debt and interest earned on higher cash balances offset by a \$0.9 million write-off of debt issuance costs relating to the 2003 Credit Facility, an increase of \$1.9 million in foreign currency transaction gain and a \$7.3 million decrease in expenses for affiliated operations as a result of increased profits from our joint ventures and recognition of the remaining deferred gain from the Caterpillar joint venture. This was partially offset by a decrease in other income primarily due to the absence of a non-recurring gain in investments of approximately \$1.0 million in fiscal year 2004.

Table of Contents*Income Tax Provision*

Our effective income tax rate for fiscal years 2006, 2005 and 2004 was 30%, 32% and 10% respectively. The 2006 rate was less than the US federal statutory rate of 35% primarily due to operations in foreign jurisdictions subject to an effective tax rate lower than the US and Extraterritorial Income Exclusion (ETI) deduction. The 2005 income tax rate was less than the US federal statutory rate, primarily due to the benefit from the repatriation of undistributed foreign subsidiary earnings provided by the American Jobs Creation Act of 2004. The 2004 income tax rate was less than the federal statutory rate primarily due to the realization of benefits from net operating losses and other previously reserved deferred tax assets.

*Litigation Matters*

\* From time to time, we are involved in litigation arising out of the ordinary course of our business. There are no known claims or pending litigation that are expected to have a material effect on our overall financial position, results of operations, or liquidity.

**OFF-BALANCE SHEET ARRANGEMENTS**

Other than lease commitments incurred in the normal course of business (see Contractual Obligation table below), we do not have any off-balance sheet financing arrangements or liabilities, guarantee contracts, retained or contingent interests in transferred assets, or any obligation arising out of a material variable interest in an unconsolidated entity. We do not have any majority-owned subsidiaries that are not included in the consolidated financial statements. Additionally, we do not have any interest in, or relationship with, any special purpose entities.

**LIQUIDITY AND CAPITAL RESOURCES**

As of and for the Fiscal Year Ended (dollars in thousands)	December 29, 2006	December 30, 2005	December 31, 2004
Cash and cash equivalents	\$ 129,621	\$ 73,853	\$ 71,872
As a percentage of total assets	13.2%	9.9%	11.0%
Accounts receivable days sales outstanding (DSO)	55	66	63
Inventory turns per year	4	4	4
Total debt	\$ 481	\$ 649	\$ 38,996
Cash provided by operating activities	\$ 138,087	\$ 92,880	\$ 74,576
Cash used in investing activities	\$ (116,432)	\$ (74,918)	\$ (25,133)
Cash provided (used) by financing activities	\$ 34,162	\$ (13,402)	\$ (24,159)
Net increase in cash and cash equivalents	\$ 55,768	\$ 1,981	\$ 26,456

*Cash and Cash Equivalents*

Our financial condition further strengthened as cash and cash equivalents totaled \$129.6 million at December 29, 2006, compared to \$73.9 million at December 30, 2005. We essentially had no debt at December 29, 2006 and December 20, 2005.

In fiscal 2006, cash provided by operating activities was \$138.1 million, compared to \$92.9 million in cash provided by operating activities in fiscal 2005. This increase of \$45.2 million was primarily driven by a \$22.8 million increase in net income before stock-based compensation expense and associated excess tax benefits, with the remainder due to working capital improvements in inventories and account receivables.

Our accounts receivable days of sales outstanding improved to 55 days at the end of fiscal 2006, from 66 days at the end of fiscal 2005. The decrease is primarily due to increased collection efforts and improvement in monitoring of outstanding receivables. In addition, in the first quarter of 2006, the Company established a dealer floor plan financing program in the U.S. and Canada through a non-recourse financing facility. Our accounts receivable days of sales outstanding is based upon the latest month revenues plus any uncollected accounts receivable from prior months' revenues calculated into days. Our inventory turns were at 4.1 for fiscal 2006 as compared to 3.9 for fiscal 2005. Our inventory turnover is based on the total cost of sales for the fiscal period over the average inventory for the corresponding fiscal period.

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In fiscal 2005, cash provided by operating activities was \$92.9 million, as compared to \$74.6 million in fiscal 2004. The increase of \$18.3 million was primarily driven by the \$17.2 million increase in net income during fiscal 2005 compared to fiscal 2004. Our ability to continue to generate cash from operations will depend in large part on profitability, the rate of collections of accounts receivable, our inventory turns, and our ability to manage other areas of working capital. Our accounts receivable days for sales outstanding increased from 63 days at the end of fiscal 2004 to 66 days at the end of fiscal 2005. The increase is due to acquisitions, delayed payments from some government contracts, and past due accounts from a couple of key customers. Our inventory turns was unchanged at 4.0 at the end of fiscal 2005 and 2004.

Cash used in investing activities was \$116.4 million in fiscal 2006, compared to \$74.9 million in fiscal 2005. The \$41.5 million increase in spending was due to an increase of \$48.5 million in cash used for acquisitions, partially offset by a decrease of \$6.9 million in capital equipment spending.

Cash used in investing activities was \$74.9 million in fiscal 2005 as compared to \$25.1 million in fiscal 2004. The \$49.8 million increase was primarily due to an increase of \$40.0 million in cash used for acquisitions and an increase of \$10.6 million in investment in capital equipment of which \$6.6 million was related to the relocation of our Sunnyvale headquarters.

Cash provided from financing activities was \$34.2 million for fiscal 2006 compared to cash used of \$13.4 million in fiscal 2005. The \$47.6 million improvement was primarily due to a \$38.3 million decrease in repayment of net debt, \$8.8 million in excess tax benefits relating to stock-based compensation upon the exercise of stock options which were not present in fiscal 2005 and a \$2.1 million increase in proceeds received from issuance of common stock.

Cash used in financing activities was \$13.4 million in fiscal 2005 as compared to \$24.2 million in fiscal 2004. The \$10.8 million decrease was primarily due to a \$12.9 million decrease in repayment of net debt as we repaid our entire debt balance in the second fiscal quarter of 2005. This was partially offset by a \$2.3 million decrease in proceeds received from issuance of common stock and warrants.

\* We believe that our cash and cash equivalents, together with our credit facilities (\$200 million as of December 29, 2006), will be sufficient to meet our anticipated operating cash needs for at least the next twelve months.

\* We anticipate that planned capital expenditures primarily for computer equipment, software, manufacturing tools and test equipment, and leasehold improvements associated with business expansion, will constitute a partial use of our cash resources. Decisions related to how much cash is used for investing are influenced by the expected amount of cash to be provided by operations.

\* Additionally, on February 16, 2007, we acquired @Road which was funded through cash of Trimble and a new debt financing arrangement. Post acquisition expenditures will be funded through anticipated positive cash flow from operations. The positive cash flow from operations is a result of our belief that we will be able to manage our assets efficiently and achieve our overall financial projections.

*Debt*

At the end of fiscal 2006, our total debt was comprised of government loans to foreign subsidiaries in amount of approximately \$481,000 as compared with approximately \$649,000 at the end of fiscal 2005.

On July 28, 2005, we entered into a \$200 million unsecured revolving credit agreement (“2005 Credit Facility”) with a syndicate of 10 banks with The Bank of Nova Scotia as the administrative agent. The 2005 Credit Facility replaces our \$175 million secured 2003 Credit Facility. The funds available under the new 2005 Credit Facility may be used

for our general corporate purposes and up to \$25 million of the 2005 Credit Facility may be used for letters of credit. We incur a commitment fee if the 2005 Credit Facility is not used. The commitment fee is not material to our results during all periods presented. At December 29, 2006 and as of the date of this report, the Company has a zero balance outstanding and was in compliance with all financial debt covenants. For additional discussion of our debt, see Note 9 of Notes to the Consolidated Financial Statements.

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On February 16, 2007, the Company amended and restated its existing \$200 million unsecured revolving credit agreement with a syndicate of 11 banks with The Bank of Nova Scotia as the administrative agent (the “2007 Credit Facility”). Under the 2007 Credit Facility, the Company exercised the accordion option in the existing credit agreement to increase the availability under the revolving credit line by \$100,000,000, for an aggregate availability of up to \$300,000,000, and extended the maturity date of the revolving credit line by 18 months, from July 2010 to February 2012. Up to \$25 million of the availability under the revolving credit line may be used to issue letters of credit, and up to \$20 million may be used for swing line loans. In addition, the Company incurred five-year term loan under the 2007 Credit Facility in an aggregate principal amount of \$100,000,000, which will mature concurrently with the revolving credit line. The term loan will be repaid in quarterly installments, with principal being amortized at the following annual rates: year 1 at 10%, year 2 at 15%, year 3 at 15%, year 4 at 20%, year 5 at 20%, and the last quarterly payment to be made at maturity, together with a final payment of 20%. Under the existing facility, the Company was required to maintain a maximum leverage ratio of 2:75:1. The 2007 Credit Facility increased the maximum leverage ratio to 3.00:1. The funds available under the new 2007 Credit Facility may be used by the Company for acquisitions and general corporate purposes.

As of February 20, 2007, the Company had \$150 million drawn on the revolving credit line and \$100 million in term loan outstanding.

**CONTRACTUAL OBLIGATIONS**

The following table summarizes our contractual obligations at December 29, 2006:

	Payments Due By Period				
	Total	Less than 1 year	2-3 Years	4-5 years	More than 5 years
<i>(in thousands)</i>					
Total debt including interest (1)	\$ 481	\$ -	\$ 481	\$ -	\$ -
Operating leases	41,857	10,852	17,505	9,944	3,556
Other purchase obligations and commitments	32,129	32,129	-	-	-
Total	\$ 74,467	\$ 42,981	\$ 17,986	\$ 9,944	\$ 3,556

(1) Excludes the impact of debt resulting from the @Road acquisition. See Note 18 of the Notes to the Consolidated Financial Statements for further financial information.

Total debt consists of government loans to foreign subsidiaries. (See Note 9 of the Notes to the Consolidated Financial Statements for further financial information regarding long-term debt)

Other purchase obligations and commitments represent open non-cancelable purchase orders for material purchases with our vendors and a forecasted commitment with a supplier for outsourced services as described in Note 10 of the Notes to the Consolidated Financial Statements. Our pension obligation which is not included in the table above, and is included in “Accrued compensation and benefits” and “Other non-current liabilities” on our Consolidated Balance Sheets, is disclosed at Note 15 of the Notes to the Consolidated Financial Statements.

**EFFECT OF NEW ACCOUNTING PRONOUNCEMENTS**

The impact of recent accounting pronouncements is disclosed in Note 2 of the Notes to Consolidated Financial Statements.



Table of Contents**Item 7A.****Quantitative and Qualitative Disclosure about Market Risk**

We are exposed to market risk related to changes in interest rates and foreign currency exchange rates. We use certain derivative financial instruments to manage these risks. We do not use derivative financial instruments for speculative purposes. All financial instruments are used in accordance with policies approved by our board of directors.

**Market Interest Rate Risk**

Our cash equivalents and short-term investments consisted primarily of money market funds and certificate of deposits for fiscal 2006 and 2005. The main objective of these investments was safety of principal and liquidity while maximizing return, without significantly increasing risk.

\* Due to the short-term nature of our cash equivalents and short-term investments, we do not anticipate any material effect on our portfolio due to fluctuations in interest rates.

We may be exposed to market risk in the event we borrow against our 2005 Credit Facility. Borrowings under the 2005 Credit Facility have interest payments based on a floating rate of LIBOR plus a number of basis points tied to a formula based on our Leverage Ratio. The 2005 Credit Facility had outstanding principal balances of zero as of December 29, 2006.

**Foreign Currency Exchange Rate Risk**

We enter into foreign exchange forward contracts to minimize the short-term impact of foreign currency fluctuations on certain trade and inter-company receivables and payables, primarily denominated in Australian, Canadian, Japanese, New Zealand, South African and Swedish currencies, the Euro, and the British pound. These contracts reduce the exposure to fluctuations in exchange rate movements as the gains and losses associated with foreign currency balances are generally offset with the gains and losses on the forward contracts. These instruments are marked to market through earnings every period and generally range from one to three months in original maturity. We do not enter into foreign exchange forward contract for trading purposes.

Foreign exchange forward contracts outstanding as of December 29, 2006 and December 30, 2005 are summarized as follows (in thousands):

	December 29, 2006		December 30, 2005	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Forward contracts:				
Purchased	\$ (21,442)	\$ 201	\$ (14,426)	\$ 249
Sold	\$ 38,579	\$ (358)	\$ 27,726	\$ 328

\* We do not anticipate any material adverse effect on our consolidated financial position utilizing our current hedging strategy.

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Table of Contents**Item 8.****Financial Statements and Supplementary Data****CONSOLIDATED BALANCE SHEETS**

As at (in thousands)	December 29, 2006	December 30, 2005
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 129,621	\$ 73,853
Accounts receivable, less allowance for doubtful accounts of \$4,063 and \$5,230, and sales return reserve of \$859 and \$1,500, respectively	172,008	145,100
Other receivables	6,014	6,489
Inventories, net	112,552	107,851
Deferred income taxes	25,905	18,504
Other current assets	13,026	8,580
Total current assets	459,126	360,377
Property and equipment, net	47,998	42,664
Goodwill	374,510	286,146
Other purchased intangible assets, net	67,172	27,310
Deferred income taxes	399	3,580
Other assets	29,226	23,011
Total non-current assets	519,305	382,711
Total assets	\$ 978,431	\$ 743,088
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ --	\$ 216
Accounts payable	44,148	45,206
Accrued compensation and benefits	47,006	36,083
Accrued liabilities	24,973	16,189
Deferred revenues	28,060	12,588
Accrued warranty expense	8,607	7,466
Deferred income taxes	4,525	4,087
Income taxes payable	23,814	24,922
Total current liabilities	181,133	146,757
Non-current portion of long-term debt	481	433
Deferred income tax	21,633	5,602
Other non-current liabilities	27,519	19,041
Total liabilities	230,766	171,833
Commitments and contingencies		
Shareholders' equity:		
Preferred stock no par value; 3,000 shares authorized; none outstanding	--	--
Common stock, no par value; 180,000 shares authorized; 111,718 and 107,820 shares issued and outstanding at December 29, 2006 and December 30, 2005, respectively	435,371	384,196
Retained earnings	271,183	167,525
Accumulated other comprehensive income	41,111	19,534
Total shareholders' equity	747,665	571,255

Total liabilities and shareholders' equity	\$	978,431	\$	743,088
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Table of Contents**CONSOLIDATED STATEMENTS OF INCOME**

Fiscal Years Ended (in thousands, except per share amounts)	December 29, 2006	December 30, 2005	December 31, 2004
Revenue (1)	\$ 940,150	\$ 774,913	\$ 668,808
Cost of sales (1)	479,069	385,108	343,998
Gross margin	461,081	389,805	324,810
Operating expenses			
Research and development	103,840	84,276	77,558
Sales and marketing	143,623	120,215	108,054
General and administrative	68,416	52,137	44,694
Restructuring charges	--	278	552
Amortization of purchased intangible assets	7,906	6,855	8,327
In-process research and development	1,930	1,100	-
Total operating expenses	325,715	264,861	239,185
Operating income	135,366	124,944	85,625
Non-operating income (expense), net			
Interest income	3,799	836	436
Interest expense	(558)	(2,331)	(3,888)
Foreign currency transaction gain (loss), net	1,719	1,022	(859)
Income (expenses) for affiliated operations, net	6,989	(291)	(7,590)
Other income	777	608	1,200
Total non-operating income (expense), net	12,726	(156)	(10,701)
Income before taxes	148,092	124,788	74,924
Income tax provision	44,434	39,933	7,244
Net income	\$ 103,658	\$ 84,855	\$ 67,680
Basic earnings per share	\$ 0.94	\$ 0.80	\$ 0.66
Shares used in calculating basic earnings per share	110,044	106,432	102,326
Diluted earnings per share	\$ 0.89	\$ 0.75	\$ 0.62
Shares used in calculating diluted earnings per share	116,072	113,638	109,896

(1) Sales to related parties were \$22.3 million, \$9.1 million and \$7.6 million in fiscal 2006, 2005 and 2004, respectively, while cost of sales to those related parties were \$13.9 million, \$4.0 million and \$3.8 million in fiscal 2006, 2005 and 2004, respectively. See Note 5 to these Consolidated Financial Statements for a discussion of related parties.

See accompanying Notes to the Consolidated Financial Statements.

Table of Contents**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

	Common stock Shares	Amount	Retained Earnings	Accumulative Other Comprehensive Income/(Loss)	Total Shareholders' Equity
<i>(in thousands)</i>					
Balance at January 2, 2004	99,976	\$ 303,015	\$ 14,990	\$ 30,239	\$ 348,244
Components of comprehensive income:					
Net income			67,680		67,680
Gain on interest rate swap				106	106
Unrealized loss on investments				(6)	(6)
Foreign currency translation adjustments, net of tax				14,025	14,025
Total comprehensive income					81,805
Issuance of common stock in connection with acquisitions and joint venture, net	589	899			899
Issuance of common stock under employee plans and exercise of warrants	3,861	26,805			26,805
Tax benefit from stock option exercises		14,408			14,408
Balance at December 31, 2004	104,426	345,127	82,670	44,364	472,161
Components of comprehensive income:					
Net income			84,855		84,855
Loss on interest rate swap				(106)	(106)
Unrealized loss on investments				(34)	(34)
Foreign currency translation adjustments, net of tax				(24,690)	(24,690)
Total comprehensive income					60,025
Issuance of common stock in connection with acquisitions, net	20				-
Issuance of common stock under employee plans and exercise of warrants	3,374	24,582			24,582
Tax benefit from stock option exercises		14,487			14,487
Balance at December 30, 2005	107,820	384,196	167,525	19,534	571,255
Components of comprehensive income:					
Net income			103,658		103,658
Unrealized gain on investments				3	3
Foreign currency translation adjustments, net of tax				21,709	21,709
				(136)	(136)

Adjustment to initially apply FASB

Statement No. 158, net of tax

Total comprehensive income						125,234
Issuance of common stock in connection with acquisitions, net	52					
Issuance of common stock under employee plans and exercise of warrants	3,846		26,781			26,781
Stock based compensation			12,705			12,706
Tax benefit from stock option exercises			11,689			11,689
Balance at December 29, 2006	111,718	\$	435,371	\$	271,183	\$ 41,110 \$ 747,665

*See accompanying Notes to the Consolidated Financial Statements.*

Table of Contents**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Fiscal Years Ended (In thousands)	December 29, 2006	December 30, 2005	December 31, 2004
Cash flows from operating activities:			
Net income	\$ 103,658	\$ 84,855	\$ 67,680
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	13,523	10,671	8,874
Amortization	13,259	7,020	8,510
Provision for doubtful accounts	163	(502)	1,210
Amortization of debt issuance cost	180	1,270	487
Deferred income taxes	10,368	14,242	(1,482)
Stock-based compensation	12,571	-	-
In-process research and development	1,930	1,100	-
Equity (gain) loss from joint ventures	(6,989)	290	(1,212)
Excess tax benefit for stock-based compensation	(8,761)	-	-
Other	720	(756)	1,191
Add decrease (increase) in assets:			
Accounts receivable, net	(12,185)	(19,018)	(17,245)
Other receivables	1,949	(2,108)	2,231
Inventories, net	(374)	(17,888)	(15,529)
Other current and non-current assets	(18,692)	(2,294)	(69)
Add increase (decrease) in liabilities:			
Accounts payable	(4,487)	1,078	14,668
Accrued compensation and benefits	7,807	3,408	4,847
Accrued liabilities	9,952	6,232	(1,757)
Deferred gain on joint venture	-	(9,180)	(665)
Deferred revenues	3,263	2,406	1,619
Income taxes payable	10,232	12,054	1,218
Net cash provided by operating activities	138,087	92,880	74,576
Cash flows from investing activities:			
Acquisition of property and equipment	(16,529)	(23,436)	(12,750)
Acquisitions, net of cash acquired	(99,887)	(51,379)	(11,388)
Other	(16)	(103)	(995)
Net cash used in investing activities	(116,432)	(74,918)	(25,133)
Cash flows from financing activities:			
Issuance of common stock and warrants	26,566	24,463	26,805
Excess tax benefit for stock-based compensation	8,761	-	-
Proceeds from long-term debt and revolving credit lines	-	6,000	14,000
Payments on long-term debt and revolving credit lines	-	(44,250)	(65,235)
Other	(1,165)	385	271
Net cash provided by (used in) financing activities	34,162	(13,402)	(24,159)
	(49)	(2,579)	1,172



## Effect of exchange rate changes on cash and cash equivalents

Net increase in cash and cash equivalents	55,768	1,981	26,456
Cash and cash equivalents, beginning of fiscal year	73,853	71,872	45,416
Cash and cash equivalents, end of fiscal year	\$ 129,621	\$ 73,853	\$ 71,872

*See accompanying Notes to the Consolidated Financial Statements.*

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1: DESCRIPTION OF BUSINESS**

Trimble Navigation Limited (Trimble or the Company) began operations in 1978 and incorporated in California in 1981. Trimble provides positioning product solutions, most typically to commercial and government users. The principal applications served include surveying, construction, agriculture, urban and resource management, military, transportation and telecommunications. The Company's products typically provide its customers benefits that can include lower costs, and higher productivity. Examples of products include systems that guide agricultural and construction equipment, surveying instruments, systems that track fleets of vehicles, and data collection systems that enable the management of large amounts of geo referenced information. In addition, the Company also manufactures components for in vehicle navigation and telematics systems, and timing modules used in the synchronization of wireless networks.

**NOTE 2: ACCOUNTING POLICIES**

**Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used for allowances for doubtful accounts, sales returns reserve, allowances for inventory valuation, warranty costs, investments, goodwill impairments, and income taxes among others. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management's best knowledge of current events and actions that may impact the company in the future, actual results may differ materially from management's estimates.

**Basis of Presentation**

Trimble has a 52-53 week fiscal year, ending on the Friday nearest to December 31. Fiscal 2006, a 52-week year, ended on December 29, 2006, fiscal 2005, a 52-week year, and fiscal 2004, a 52-week year, ended on December 30, 2005 and December 31, 2004, respectively. Unless otherwise stated, all dates refer to its fiscal year.

These Consolidated Financial Statements include the results of Trimble and its subsidiaries. Inter-company accounts and transactions have been eliminated. Certain segment disclosures from prior years have been reclassified to conform to the current year presentation.

On January 17, 2007, Trimble's Board of Directors approved a 2-for-1 split of all outstanding shares of the Company's Common Stock, payable February 22, 2007 to stockholders of record on February 8, 2007. All shares and per share information presented has been adjusted to reflect the stock split on a retroactive basis for all periods presented.

**Foreign Currency Translation**

Assets and liabilities of non-U.S. subsidiaries that operate in local currencies are translated to U.S. dollars at exchange rates in effect at the balance sheet date, with the resulting translation adjustments directly recorded to a separate component of accumulated other comprehensive income. Income and expense accounts are translated at average exchange rates during the year. Where the U.S. dollar is the functional currency, translation adjustments are recorded in foreign currency transaction adjustments, net of tax in accumulated other comprehensive income within the shareholders' equity section of the consolidated balance sheets.

### **Cash and Cash Equivalents**

Cash and cash equivalents include all cash and highly liquid investments with insignificant interest rate risk and maturities of three months or less at the date of purchase. The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments.

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**Fair Value of Financial Instruments**

The fair value of certain of the Company's financial instruments, including cash and cash equivalents, and other accrued liabilities approximate cost because of their short maturities. The fair value of investments is determined using quoted market prices for those securities or similar financial instruments.

**Concentration of Risk**

Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk.

The Company is also exposed to credit risk in the Company's trade receivables, which are derived from sales to end user customers in diversified industries as well as various resellers. Trimble performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary but generally does not require collateral.

With the selection of Solectron Corporation in August 1999 as an exclusive manufacturing partner for many of its GPS products, Trimble became substantially dependent upon a sole supplier for the manufacture of many of its products. In addition, the Company relies on sole suppliers for a number of its critical components.

**Allowance for Doubtful Accounts**

Trimble maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments.

Trimble evaluates the collectibility of its trade accounts receivable based on a number of factors such as age of the accounts receivable balances, credit quality, historical experience, and current economic conditions that may affect a customer's ability to pay. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations to the Company, a specific allowance for bad debts is estimated and recorded which reduces the recognized receivable to the estimated amount Trimble believes will ultimately be collected. In addition to specific customer identification of potential bad debts, bad debt charges are recorded based on the Company's recent past loss history and an overall assessment of past due trade accounts receivable amounts outstanding.

**Inventories**

Trimble's inventories are stated at the lower of cost or market, with costs primarily computed on a standard cost basis. Adjustments to reduce the cost of inventory to its net realizable value, if required, are made for estimated excess, obsolescence, or impaired balances. Factors influencing these adjustments include decline in demand, technological changes, product life cycle and development plans, component cost trends, product pricing, physical deterioration, and quality issues. If actual factors are less favorable than those projected by us, additional inventory write-downs may be required

**Internal-Use Software Development Costs**

The Company capitalizes material software development costs for internal use pursuant to Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

**Goodwill, Purchased Intangible Assets and Long-Lived Assets**

Intangible assets include goodwill, distribution channels, patents, licenses, technology, acquired backlog and trademarks which are capitalized at acquisition cost. Intangible assets with definite lives are amortized on the straight-line basis. Useful lives generally range from three to seven years with weighted average useful life of 5.3 years.

If facts and circumstances indicate that intangible assets or property and equipment may be impaired, an evaluation of continuing value would be performed. The process of evaluating the potential impairment of goodwill is subjective and requires significant assumptions. If an evaluation is required, the estimated future undiscounted cash flows associated with these assets would be compared to their carrying amount to determine if a write-down to fair market value or discounted cash flow value is required.

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Trimble performed an annual impairment test of goodwill at the end of the third fiscal quarter of 2006, 2005, and 2004, respectively, and concluded there was no impairment of goodwill. Trimble will continue to evaluate its goodwill for impairment on an annual basis at the end of each fiscal third quarter and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable.

**Revenue Recognition**

Trimble's revenues are recorded in accordance with the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition." The Company recognizes product revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is reasonably assured. In instances where final acceptance of the product is specified by the customer or is uncertain, revenue is deferred until all acceptance criteria have been met.

Contracts and customer purchase orders are typically used to determine the existence of an arrangement. Shipping documents and customer acceptance, when applicable, are used to verify delivery. The Company assesses whether the fee is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment. The Company assesses collectibility based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history.

Trimble's shipment terms for US orders, and international orders fulfilled from its European distribution center are typically FCA (Free Carrier) shipping point, except certain sales to US government agencies which are shipped FOB destination. FCA shipping point means that we fulfill the obligation and title has passed to the buyer upon delivery of the goods to the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, Trimble may choose within the place or range stipulated where the carrier will take the goods into carrier's charge. FOB destination means revenue for orders are not recognized until the product is delivered and title has transferred to the buyer. We bear all costs and risks of loss or damage to the goods up to that point. Shipping and handling costs are included in the cost of goods sold.

Revenue to distributors and resellers is recognized upon delivery, assuming all other criteria for revenue recognition have been met. Distributors and resellers do not have a right of return.

Revenues from purchased extended warranty and support agreements are deferred and recognized ratably over the term of the warranty/support period.

The Company applies Statement of Position (SOP) No. 97-2, "Software Revenue Recognition" to products where the embedded software is more than incidental to the functionality of the hardware. This determination requires significant judgment including a consideration of factors such as the marketing, research and development efforts and any postcustomer contract support relating to the embedded software.

In accordance with Emerging Issues Task Force (EITF) Issue 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables," when a non-software sale involves multiple elements the entire fee from the arrangement is allocated to each respective element based on its relative fair value and recognized when revenue recognition criteria for each element are met.

Software revenue is recognized in accordance with Statement of Position (SOP) No. 97-2, "Software Revenue Recognition" and Statement of Position (SOP) No. 98-9, "Modification of SOP 97-2." Trimble's software arrangements generally consist of a perpetual license fee and post contract customer support (PCS). Trimble has established vendor-specific objective evidence (VSOE) of fair value for its PCS contracts based on the renewal rate. The remaining value of the software arrangement is allocated to the license fee using the residual method, which revenue

is primarily recognized when the software has been delivered and there are no remaining obligations. Revenue from PCS is recognized ratably over the term of the PCS agreement.

A reserve for sales returns is established based on historical trends in product return rates experienced in the ordinary course of business. The reserve for estimated future returns is recorded as a reduction of our accounts receivable and revenue. If the actual returns were to deviate from the historical data on which the sales reserve had been established, the Company's revenue could be adversely affected.

Table of Contents**Warranty**

The Company accrues for warranty costs as part of its cost of sales based on associated material product costs, technical support labor costs, and costs incurred by third parties performing work on the Company's behalf. Trimble's expected future cost is primarily estimated based upon historical trends in the volume of product returns within the warranty period and the cost to repair or replace the equipment. The products sold are generally covered by a warranty for periods ranging from 90 days to three years, and in some instances up to 5.5 years.

While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of component suppliers, its warranty obligation is affected by product failure rates, material usage, and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage, or service delivery costs differ from the estimates, revisions to the estimated warranty accrual and related costs may be required.

Changes in the Company's product warranty liability during the 12 months ended December 29, 2006 and December 30, 2005, are as follows:

Fiscal Years Ended (In thousands)	December 29, 2006	December 30, 2005
Beginning balance	\$ 7,466	\$ 6,425
Warranties accrued	8,446	7,960
Warranty claims	(7,305)	(6,919)
Ending Balance	\$ 8,607	\$ 7,466

**Guarantees, Including Indirect Guarantees of Indebtedness of Others**

In the normal course of business to facilitate sales of its products, the Company indemnifies other parties, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. The Company has agreed to hold the other party harmless against losses arising from a breach of representations or covenants, or out of intellectual property infringement or other claims made against certain parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, the Company has entered into indemnification agreements with its officers and directors, and the Company's bylaws contain similar indemnification obligations to the Company's agents.

It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under these agreements were not material and no liabilities have been recorded for these obligations on the Consolidated Balance Sheets as of December 29, 2006 and December 30, 2005.

**Advertising Costs**

The Company expenses all advertising costs as incurred. Advertising expenses were approximately \$16.1 million, \$14.8 million, and \$9.5 million, in fiscal 2006, 2005, and 2004, respectively.

**Research and Development Costs**



Research and development costs are charged to expense as incurred. Cost of software developed for external sale subsequent to reaching technical feasibility were not considered material and were expensed as incurred. The Company received third party funding of approximately \$7.8 million, \$9.0 million, and \$7.7 million in fiscal 2006, 2005, and 2004 respectively. The Company offsets research and development expenses with any third party funding received. The Company retains the rights to any technology developed under such arrangements.

### **Stock-Based Compensation**

In December 2004, the Financial Accounting Standards Board (“FASB”) issued Standard of Financial Accounting Standards (“SFAS”) No. 123(R), “Share-Based Payment” (“SFAS 123(R”). SFAS 123(R) requires employee stock options and rights to purchase shares under stock participation plans to be accounted for under the fair value method, and eliminates the ability to account for these instruments under the intrinsic value method prescribed by Accounting Principals Board (“APB”) Opinion No. 25, and allowed under the original provisions of SFAS 123.

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Trimble has adopted SFAS 123(R) using the modified prospective method. As a result, the Company's financial statements for fiscal periods after December 30, 2005 include stock-based compensation expenses that are not comparable to financial statements of fiscal periods prior to December 30, 2005. SFAS 123(R) requires stock-based compensation to be estimated using the fair value on the date of grant using an option-pricing model. The value of the portion of the award that is expected to vest is recognized as expense over the related employees' requisite service periods in the Company's Consolidated Statements of Income. Prior to the adoption of SFAS 123(R), the Company accounted for stock-based compensation to employees and directors using the intrinsic value method in accordance with APB Opinion No. 25 as allowed under SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Under the intrinsic value method, no stock-based compensation expense had been recognized in the Company's Consolidated Statement of Income because the exercise price of the Company's stock options granted to employees and directors equaled the fair market value of the underlying stock at the date of grant. Note 14 of the Consolidated Financial Statements describe the plans operated by Trimble.

The following table summarizes stock-based compensation expense, net of tax, related to employee stock-based compensation included in the Consolidated Statements of Income in accordance with SFAS 123(R) for the year ended December 29, 2006.

Year Ended (in thousands)	December 29, 2006	December 30, 2005	December 31, 2004
Cost of sales	\$ 1,173	\$ -	\$ -
Research & development	2,554	-	-
Sales & marketing	2,814	-	-
General & administrative	6,029	-	-
Stock-based compensation expense included in operating expenses	11,397	-	-
Total stock-based compensation	12,570	-	-
Tax benefit (1)	(1,185)	-	-
Total stock-based compensation, net of tax	\$ 11,385	\$ -	\$ -
Effect of FAS 123(R) on basic earnings per share	\$ 0.10	\$ -	\$ -
Effect of FAS 123(R) on diluted earnings per share	\$ 0.10	\$ -	\$ -

(1) Tax benefit related to US non-qualified options only as allowed by the applicable tax requirements using the statutory tax rate for the year ended December 29, 2006.

The table below provides pro forma information for the year ended December 30, 2005 and December 31, 2004, respectively, as if Trimble had accounted for its employee stock options and purchases under the employee stock purchase plan in accordance with SFAS 123.

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Fiscal Years Ended		December 30, 2005	December 31, 2004
<i>(in thousands, except per share amounts)</i>			
Net income - as reported		\$ 84,855	\$ 67,680
Stock-based compensation expense, net of tax	(1)	11,149	9,986
Net income - pro forma		\$ 73,706	\$ 57,694
Basic earnings per share - as reported		\$ 0.80	\$ 0.66
Basic earnings per share - pro forma		\$ 0.69	\$ 0.56
Diluted earnings per share - as reported		\$ 0.75	\$ 0.62
Diluted earnings per share - pro forma		\$ 0.65	\$ 0.52

(1) Includes compensation expense for employee stock purchase plan for the year ended December 30, 2005 and December 31, 2004, respectively, and reduction of tax benefits for stock-based compensation other than non-qualified stock options which were not included in the pro forma disclosure of Trimble's fiscal 2005 and 2004 Form 10-K. Tax benefit relates to non-qualified options only as allowed by the applicable tax requirements using the statutory tax rate as of December 30, 2005 and December 31, 2004, respectively.

*Options*

Stock option expense recognized during the period is based on the value of the portion of share-based payment awards that is expected to vest during the period. Stock option expense recognized in the Company's Consolidated of Income for the year ended December 29, 2006 included compensation expense for stock options granted prior to, but not yet vested as of December 30, 2005 based on the grant date fair value estimated in accordance with the provisions of SFAS 123 and compensation expense for the stock options granted subsequent to December 30, 2005 based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). In conjunction with the adoption of SFAS 123(R), the Company changed its method of attributing the value of stock option to expense from the accelerated multiple-option approach to the straight-line single option method. Compensation expense for all stock options granted on or prior to December 30, 2005 will continue to be recognized using the accelerated multiple-option approach while compensation expense for all stock options granted subsequent to December 30, 2005 will be recognized using the straight-line single-option method. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the Company's pro forma information required under SFAS 123 for the periods prior to fiscal 2006, the Company accounted for forfeitures as they occurred.

For options granted prior to October 1, 2005, the fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model. For stock options granted on or after October 1, 2005, the fair value of each award is estimated on the date of grant using a binomial valuation model. Similar to the Black-Scholes model, the binomial model takes into account variables such as volatility, dividend yield rate, and risk free interest rate. In addition, the binomial model incorporates actual option-pricing behavior and changes in volatility over the option's contractual term. For these reasons, the Company believes that the binomial model provides a fair value that is more representative of actual experience and future expected experience than the value calculated using the Black-Scholes model.

Under the binomial and Black-Scholes models, the estimated fair values of each employee stock option granted during fiscal years 2006, 2005, and 2004 were \$8.04, \$7.27 and \$6.93, respectively. The value of each option grant is estimated on the date of grant using the binomial model for options granted during and after the fourth quarter of fiscal 2005, and the Black-Scholes option pricing model for options granted during and prior to the third quarter of fiscal 2005, with the following assumptions:

	December 29, 2006	December 30, 2005	December 31, 2004
Expected dividend yield	-	-	-
Expected stock price volatility	42%	47%	56%
Risk free interest rate	4.8%	4.3%	3.5%
Expected life of options after vesting	1.3 years	1.7 years	1.6 years

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*Expected Dividend Yield* - The dividend yield assumption is based on the Company's history and expectation of dividend payouts.

*Expected Stock Price Volatility* - The Company's computation of expected volatility is based on a combination of implied volatilities from traded options on the Company's stock and historical volatility. The Company used implied and historical volatility as the combination was more representative of future stock price trends than historical volatility alone.

*Expected Risk Free Interest Rate* - The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for the expected term of the option.

*Expected Life Of Option* - The Company's expected term represents the period that the Company's stock options are expected to be outstanding and was determined based on historical experience of similar stock options with consideration to the contractual terms of the stock options, vesting schedules and expectations of future employee behavior.

*Employee Stock Purchase Plan*

Under the Employee Stock Purchase Plan, rights to purchase shares are generally granted during the second and fourth quarter of each year. The fair value of rights granted under the Employee Stock Purchase Plan was estimated at the date of grant using the Black-Scholes option-pricing model. The estimated weighted average value of rights granted under the Employee Stock Purchase Plan during fiscal years 2006, 2005, and 2004 were \$5.16, \$4.94 and \$3.66, respectively. The fair value of rights granted during 2006, 2005, and 2004 was estimated at the date of grant using the following assumptions:

Fiscal years ended	December 29, 2006	December 30, 2005	December 31, 2004
Expected dividend yield	-	-	-
Expected stock price volatility	35.5%	47%	46%
Risk free interest rate	4.8%	3.5%	1.7%
Expected life of purchase	0.6 years	0.5 years	0.5 years

*Expected Dividend Yield* - The dividend yield assumption is based on the Company's history and expectation of dividend payouts.

*Expected Stock Price Volatility* - The Company's computation of expected volatility is based on implied volatilities from traded options on the Company's stock. The Company used implied volatility because it is representative of future stock price trends during the purchase period.

*Expected Risk Free Interest Rate* - The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for the expected term of the purchase period.

*Expected Life Of Purchase* - The Company's expected life of the purchase is based on the term of the offering period of the purchase plan.

**Depreciation**

Depreciation of property and equipment owned is computed using the straight-line method over the shorter of the estimated useful lives or the lease terms. Useful lives include a range from two to six years for machinery and

equipment, five years for furniture and fixtures, two to five years for computer equipment and software, and the life of the lease for leasehold improvements. The costs of repairs and maintenance are expensed when incurred, while expenditures for refurbishments and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Depreciation expense was \$13.5 million in fiscal 2006, \$10.7 million in fiscal 2005, and \$8.9 million in fiscal 2004.

### **Income Taxes**

Income taxes are accounted for under the liability method whereby deferred tax asset or liability account balances are calculated at the balance sheet date using current tax laws and rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

Table of Contents**Computation of Earnings Per Share**

Number of shares used in calculation of basic earnings per share represents the weighted average common shares outstanding during the period and excludes any dilutive effects of options, warrants, and convertible securities. The dilutive effects of options, warrants, and convertible securities are included in diluted earnings per share.

**New Accounting Pronouncements**

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)." SFAS 158 requires companies to recognize the overfunded or underfunded status of a defined benefit post-retirement plan as an asset or liability in its balance sheet, recognize as a component of accumulated other comprehensive income, net of tax, amounts accumulated at the date of adoption due to delayed recognition of actuarial gains and losses, prior service costs and credits, and transition assets and obligations, and provide additional disclosures, effective for fiscal years ending after December 15, 2006. On December 29, 2006, Trimble adopted the recognition and disclosure provisions of SFAS 158. The effect of adopting these provisions of SFAS 158 on the Company's financial condition at December 29, 2006 has been included in the accompanying consolidated financial statements. These provisions of SFAS 158 did not have an effect on the Company's consolidated financial condition at December 30, 2005 or December 31, 2004. See Note 15 to the Notes to Consolidated Financial Statements for additional information.

SFAS 158 also requires companies to measure the funded status of the plan as of the date of its fiscal year-end, with limited exceptions, effective for fiscal years ending after December 15, 2008. For Trimble, this provision of SFAS 158 will be effective for the fiscal year ended 2008. The Company is currently evaluating this provision of SFAS 158 and its possible impacts on the Company's financial statements.

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 applies to all tax positions related to income taxes subject to SFAS 109, "Accounting for Income Taxes." Under FIN 48 a company would recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. FIN 48 clarifies how a company would measure the income tax benefits from the tax positions that are recognized, provides guidance as to the timing of the derecognition of previously recognized tax benefits and describes the methods for classifying and disclosing the liabilities within the financial statements for any unrecognized tax benefits. FIN 48 also addresses when a company should record interest and penalties related to tax positions and how the interest and penalties may be classified within the income statement and presented in the balance sheet. FIN 48 is effective for fiscal years beginning after December 15, 2006. For Trimble, FIN 48 will be effective for the first quarter of fiscal 2007. Differences between the amounts recognized in the statements of operations prior to and after the adoption of FIN 48 would be accounted for as a cumulative effect adjustment to the beginning balance of retained earnings. The Company is currently evaluating FIN 48 and its possible impacts on the Company's financial statements. Upon adoption, there is a possibility that the cumulative effect would result in a charge or benefit to the beginning balance of retained earnings.

**NOTE 3: EARNINGS PER SHARE**

The following data show the amounts used in computing earnings per share and the effect on the weighted-average number of shares of potentially dilutive common stock.

	December 29, 2006	December 30, 2005	December 31, 2004
Fiscal Years Ended			

*(In thousands, except per share data)*

## Numerator:

Income available to common shareholders:

Used in basic and diluted earnings per share	\$	103,658	\$	84,855	\$	67,680
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## Denominator:

Weighted average number of common shares used in

basic earnings per share	110,044	106,432	102,326
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Effect of dilutive securities (using treasury stock method):

Common stock options	5,134	5,900	5,894
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Common stock warrants	894	1,306	1,676
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Weighted average number of common shares and

dilutive potential common shares used in diluted

earnings per share	116,072	113,638	109,896
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Basic earnings per share	\$	0.94	\$	0.80	\$	0.66
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Diluted earnings per share	\$	0.89	\$	0.75	\$	0.62
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Table of Contents**NOTE 4: BUSINESS COMBINATIONS****Acquisitions**

The following is a summary of acquisitions made by Trimble during fiscal 2006, 2005 and 2004 all of which were accounted for as purchases:

Acquisition	Primary Service or Product	Operating Segment	Acquisition Date
Spacient Technologies, Inc.	Enterprise field service management and mobile mapping solutions	Field Solutions	November 21, 2006
Meridian Project Systems, Inc.	Enterprise project management and lifecycle software	Engineering & Construction	November 7, 2006
XYZ Solutions, Inc.	Real-time, interactive 3D intelligence software	Engineering & Construction	October 27, 2006
Visual Statement, Inc.	Desktop software tools	Mobile Solutions	October 11, 2006
Intransix	Mobile GPS applications	Advanced Devices	April 21, 2006
BitWyse Solutions, Inc.	Engineering and construction information management software	Engineering & Construction	May 1, 2006
Eleven Technology, Inc.	Mobile application software	Mobile Solutions	April 28, 2006
Quantm International, Inc.	Transportation route optimization solution	Engineering & Construction	April 5, 2006
XYZs of GPS, Inc.	Real-time Global Navigation Satellite System	Engineering & Construction	February 26, 2006
Advanced Public Safety, Inc.	Mobile and handheld software for public safety	Mobile Solutions	December 30, 2005
MobileTech Solutions, Inc.	Field workforce automation solutions	Mobile Solutions	October 25, 2005
Apache Technologies, Inc.	Laser detection technology	Engineering & Construction	April 19, 2005
Pacific Crest Corporation	Wireless data communication systems	Engineering & Construction	January 10, 2005
GeoNav GmbH	Customized field data collection solutions	Engineering and Construction	July 5, 2004
TracerNET Corp.	Wireless fleet management solutions	Mobile Solutions	March 5, 2004

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The Consolidated Financial Statements include the operating results of each business from the date of acquisition. Pro forma results of operations have not been presented because the effects of each of these acquisitions were not material to the Company's results.

The total purchase consideration for each of the above acquisitions was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the date of acquisition. The fair value of intangible assets acquired is generally determined based on the discount cash flow analysis performed by third-party experts. Acquisition costs directly related to the acquisitions were capitalized.

At the date of each acquisition, the projects associated with in-process research and development (IPR&D) efforts had not yet reached technological feasibility and the research and development in process had no alternative future uses. Accordingly, the value assigned to these IPR&D amounts were charged to expense on the respective acquisition date of each of the acquired companies. Trimble recorded IPR&D expense of \$1.9 million and \$1.1 million relating to acquisitions made in fiscal 2006 and 2005. We did not record any IPR&D expense in fiscal 2004.

The following table summarizes the Company's business combinations completed during fiscal years 2006, 2005 and 2004 (in thousands):

Fiscal Years Ended	December 29, 2006	December 30, 2005	December 31, 2004
Purchase price	\$ 114,442	\$ 63,830	\$ 12,246
Purchase price adjustments	4,964	1,595	1,167
Acquisition costs	2,127	466	279
Total purchase price	\$ 121,533	\$ 65,891	\$ 13,692
Purchase price allocation:			
Fair value of net assets acquired	\$ 1,142	\$ 1,237	\$ 2,649
Identified intangible assets	52,471	21,171	2,117
In-Process Research & Development	1,930	1,100	-
Goodwill	65,990	42,383	8,926
Total	\$ 121,533	\$ 65,891	\$ 13,692

Certain acquisitions include additional earn-out cash payments based on future revenue derived from existing products. These earn-out payments are considered additional purchase price consideration. Earn-out cash payments made for fiscal 2006, fiscal 2005 and fiscal 2004 were \$4.5 million, \$1.6 million and \$1.2 million respectively. Earn-outs and changes in purchase price allocation estimates were recorded as purchase price adjustments and goodwill adjustments. Acquisitions made by Trimble have additional potential earn-out cash payments not to exceed approximately \$73.3 million.

**Intangible Assets**

The following tables present details of the Company's total intangible assets:

As of (In thousands)	December 29, 2006	December 30, 2005
Intangible assets:		

## Intangible assets with definite life:

Existing technology	\$	92,430	\$	48,100
Trade names, trademarks, patents, backlog and other intellectual properties		37,690		26,808
Total intangible assets with definite life		130,120		74,908
Less accumulated amortization		(62,948)		(47,598)
Total net intangible assets	\$	67,172	\$	27,310

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Total intangible assets before accumulated amortization increased by \$55.2 million primarily due to \$52.5 million in intangible assets purchased in connection with acquisitions in fiscal 2006 and \$2.4 million in foreign exchange rate translation impact on non-US currency denominated intangible assets. Accumulated amortization increased by \$15.4 million primarily due to amortization expenses of \$13.3 million and \$2.1 million in foreign exchange rate translation impact on non-US currency denominated intangible assets.

The following table presents details of the amortization expense of purchased and other intangible assets as reported in the Consolidated Statements of Income:

Fiscal Years Ended (In thousands)	December 29, 2006	December 30, 2005	December 31, 2004
Reported as:			
Cost of sales	\$ 5,168	\$ 165	\$ 183
Operating expenses	8,091	6,855	8,327
Total	\$ 13,259	\$ 7,020	\$ 8,510

Total amortization expense of intangible assets for fiscal 2006 increased by \$6.2 million primarily due to an increase in intangible assets purchased in connection with acquisitions in fiscal 2006.

The estimated future amortization expense of intangible assets as of December 29, 2006, is as follows (in thousands):

	Amortization Expense
2007	\$ 17,805
2008	15,916
2009	12,919
2010	10,721
2011	6,470
Thereafter	3,341
Total	\$ 67,172

**Goodwill**

Goodwill consisted of the following:

As of (In thousands)	December 29, 2006	December 30, 2005
Goodwill, Spectra Precision acquisition	\$ 209,693	\$ 196,676
Goodwill, other acquisitions	164,817	89,470
Goodwill	\$ 374,510	\$ 286,146

The increase in goodwill of approximately \$88.4 million during fiscal 2006 was primarily due to \$56.5 million in goodwill from acquisitions in fiscal 2006 and \$4.5 million in earn-out amounts recorded in fiscal 2006 related to the Apache, Mensi, XYZs of GPS, Mobile-Tech Solutions and Tracer-Net acquisitions. Goodwill also increased by \$13.5 million due to the foreign exchange rate translation impact on non-US currency denominated goodwill assets. See

Note 7 of the Notes to the Consolidated Financial Statements for additional information regarding Trimble's goodwill by operating segment.

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Table of Contents**NOTE 5: JOINT VENTURES***Caterpillar Trimble Control Technologies Joint Venture*

On April 1, 2002, Caterpillar Trimble Control Technologies LLC ("CTCT"), a joint venture formed by Trimble and Caterpillar began operations. The joint venture is 50% owned by Trimble and 50% owned by Caterpillar, with equal voting rights. The joint venture is accounted for under the equity method of accounting. Under the equity method, Trimble's share of profits and losses are included in expenses for affiliated operations, net in the non-operating income (expense), net section of the Consolidated Statements of Income. CTCT develops and markets advanced electronic guidance and control products for earth moving machines in the construction and mining industries.

During the first quarter of fiscal 2002, Trimble received a special cash distribution of \$11.0 million from CTCT. Trimble had recorded the cash distribution of \$11.0 million as a deferred gain and amortized it to the extent that losses were attributable from CTCT under the equity method of accounting. Since the joint venture is now profitable on a sustainable basis and future operating losses are not anticipated, Trimble recognized the unamortized portion of the gain or \$9.2 million in fiscal 2005 as income in non operating income/expense.

Trimble acts as a contract manufacturer for CTCT. Products are manufactured based on orders received from CTCT and are sold at cost plus a mark up to CTCT. CTCT resells products to both Caterpillar and Trimble for sales through their respective distribution channels. Generally, Trimble sells products to the after market dealer channel, and Caterpillar sells products for factory and dealer installation. CTCT does not hold inventory in that the resale of products to Caterpillar and Trimble occur simultaneously when the products are purchased from Trimble.

Beginning in the first fiscal quarter of 2006, Trimble included the impact of certain transactions with CTCT in revenue and cost of sales. Revenue and cost of sales were recorded for the manufacturing of products that are sold to CTCT and then sold through the Caterpillar distribution channel. Cost of sales transactions also include the purchasing of products from CTCT at a higher price than Trimble's original manufacturing costs for products sold through the Trimble distribution channel. Prior to the first fiscal quarter of 2006, these transactions were included in income (expense) for affiliated operations, net in the non-operating income (expense), net section of the Consolidated Statements of Income. The change in presentation resulted from the Company's assessment of CTCT's advancement and ability to function as a stand-alone company. In addition, the Company's exclusive manufacturing agreement with CTCT ended during fiscal 2005. As a result, during the first quarter of fiscal 2006, the Company deemed transactions between CTCT and Trimble to be arms-length and concluded they should be presented similarly to other vendor and customer relationships. The impact of this change in presentation was an \$18.1 million decrease in gross margins for fiscal 2006. There was no impact on net income.

Trimble received reimbursement of employee-related costs from CTCT for Trimble employees dedicated to CTCT or performing work for CTCT totaling \$13.5 million for fiscal 2006 and \$9.7 million for both fiscal 2005 and fiscal 2004. The reimbursements were offset against operating expenses. Dividends received from CTCT amounted to \$2.0 million in fiscal 2006 and \$0 in fiscal 2005 and were recorded against long-term investments on the Consolidated Balance Sheets.

Fiscal Years Ended (In millions)	December 29, 2006	December 30, 2005	December 31, 2004
CTCT incremental pricing effects, net	\$ -	\$ 11.4	\$ 8.8
Trimble's 50% share of CTCT's reported (gain) loss	(5.7)	(2.0)	0.5
Amortization of deferred gain	-	(9.2)	(0.7)

Total CTCT expense (gain) for affiliated operations, net	(\$5.7)	\$	0.2	\$	8.6
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The net outstanding balance due from CTCT was \$0.3 million at December 29, 2006 and \$0.2 million at December 30, 2005 and was included in other receivables, net on the Consolidated Balance Sheets.

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Table of Contents*Nikon-Trimble Joint Venture*

On March 28, 2003, Nikon-Trimble Co., Ltd (“Nikon-Trimble”), a joint venture was formed by Trimble and Nikon Corporation. The joint venture began operations in July 2003 and is 50% owned by Trimble and 50% owned by Nikon, with equal voting rights. It focuses on the design and manufacture of surveying instruments including mechanical total stations and related products.

Nikon-Trimble is the distributor in Japan for Nikon and Trimble products. Trimble is the exclusive distributor outside of Japan for Nikon branded survey products. For products sold from Trimble to the Nikon-Trimble, revenue is recognized by Trimble on a sell-through basis from Nikon-Trimble to the end customer. Profits from these inter-company sales are eliminated.

The terms and conditions of the sales of products from Trimble to Nikon-Trimble are comparable with those of the standard distribution agreements which Trimble maintains with its dealer channel and margins earned are similar to those from third party dealers. Similarly, the purchases of product by Trimble from the Nikon-Trimble are made on terms comparable with the arrangements which Nikon maintained with its international distribution channel prior to the formation of the joint venture with Trimble.

Trimble uses the equity method of accounting for its investment in Nikon-Trimble, with 50% share of profit or loss from this joint venture reported by Trimble in the non-operating income (expense), net section of the Consolidated Statements of Income under the heading of income (expense) for affiliated operations, net. Trimble reported a profit of approximately \$1.3 million for fiscal 2006, a loss of \$36,000 for fiscal 2005 and a profit of \$1.1 million for fiscal 2004, respectively, as its proportionate share of the net income. In the second quarter of fiscal 2006, Trimble began recording its proportionate share of profit or loss in the joint venture one month in arrears. The impact of this change was not material. In fiscal 2006 and 2005, dividends received from Nikon-Trimble, amounted to \$257,000 and \$515,000, respectively, and were recorded against long-term investments on the Consolidated Balance Sheets.

At December 29, 2006, the net payable to Trimble by Nikon-Trimble, related to the purchase and sale of products from and to Nikon-Trimble, is \$0.5 million and is recorded within accounts payable, net on the Consolidated Balance Sheet. At December 30, 2005, the net payable by Trimble to Nikon-Trimble, related to the purchase and sale of products from and to Nikon-Trimble, was \$2.0 million and was included in accounts payable on the Consolidated Balance Sheet. The carrying amount of the investment was approximately \$14.0 million at December 29, 2006 and \$12.9 million at December 30, 2005 and was recorded in other non-current assets on the Consolidated Balance Sheets.

**NOTE 6: CERTAIN BALANCE SHEET COMPONENTS**

The following tables provide details of selected balance sheet items (in thousands):

As of	December 29, 2006	December 30, 2005
Inventories:		
Raw materials	\$ 66,853	\$ 52,199
Work-in-process	6,181	7,249
Finished goods	39,518	48,403
Total	\$ 112,552	\$ 107,851
Property and equipment, net:		
Machinery and equipment	\$ 79,238	\$ 72,273



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Furniture and fixtures	12,399	10,110
Leasehold improvements	13,124	8,695
Buildings	5,689	5,707
Land	1,231	1,231
	111,681	98,016
Less accumulated depreciation	(63,683)	(55,352)
Total	\$ 47,998	\$ 42,664
Other Non-Current Liabilities:		
Deferred compensation	\$ 5,887	\$ 3,231
Pension	6,616	5,529
Deferred Rent	5,327	3,364
Other long term liabilities	9,689	6,917
Total	\$ 27,519	\$ 19,041

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During the year, accumulated depreciation increased by \$8.3 million primarily due to \$13.5 million in depreciation expense and \$2.1 million in foreign exchange translation rate impact, offset by the write-off of fully depreciated assets and disposals in the amount of \$7.6 million.

Other non-current liabilities include deferred rent primarily as a result of the Sunnyvale, California lease, executed in fiscal 2005 and a new Westminster, Colorado lease, executed in fiscal 2006.

**NOTE 7: REPORTING SEGMENT AND GEOGRAPHIC INFORMATION**

Trimble is a designer and distributor of positioning products and applications enabled by GPS, optical, laser, and wireless communications technology. The Company provides products for diverse applications in its targeted markets.

To achieve distribution, marketing, production, and technology advantages, the Company manages its operations in the following four segments: