TRIMBLE NAVIGATION LTD /CA/
Form 10-K
February 26, 2008

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

FORM 10-K

T ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 28, 2007

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	94-2802192
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
935 Stewart Drive, Sunnyvale, CA	94085
(Address of principal executive offices)	(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
(Title of Class)	

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 T 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 T

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

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

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

As of June 29, 2007, the aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately $3.9 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, 2008
Common stock, no par value	121,161,625 shares

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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 22, 2008 (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, estimat 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 “ 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 "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

2007 FORM 10-K ANNUAL REPORT

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TRADEMARKS

Trimble, EZ-Guide, EZ-Boom, Proliance, UtilityCenter, TrimWeb, TrimView, GEOManager, Taskforce, Juno, GeoExplorer, AgGPS, Spectra Precision, Autopilot, Fieldport, Copernicus, TrimTrac, EZ-Steer, PocketCitation, Trimble Outdoors, 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"), provid advanced positioning product solutions, typically to commercial and government users. The principal application areas include surveying, agriculture, construction, asset management, mapping and mobile resource management. Our products provide benefits that can include lower operational costs, higher productivity, and improved quality. Product examples include agricultural and construction equipment, guidance systems, 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.

Our products often combine knowledge of location or position 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 application 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 United Kingdom, the Netherlands, China, 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 18 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 have 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 the GPS network of 24 orbiting U.S. based satellites and associated ground control that is funded and maintained by the U. S. Government and is available worldwide free of charge, and the Russian GLONASS satellite based system. Both Europe and China have announced plans to establish future operational satellite navigation based systems. 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 communications, 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 provide the efficient transfer of position data to locations away from the positioning field device, allowing the data to be accessed by more users, thereby increasing productivity. This allows us to integrate visualization and design software into our systems, as well as offers positioning services, all of which make our customers more efficient at what they do.

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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 a 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. The presentation of prior period's segment operating results has been conformed to our 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 phase 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 products 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.

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.

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Competitors in this segment are typically companies that provide optical, laser, or GPS positioning products. Our principal competitors are Topcon Corporation, and Leica Geosystems which was purchased by Hexagon. Price points in this segment range from less than $1,000 for certain laser systems to approximately $100,000 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 S6 total station fast, silent, and precise, allowing surveyors to measure points and collect data in the field efficiently and productively. The S6 total station 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.

SPS Site Positioning Solutions – The Trimble Site Positioning Solutions family increases the productivity of construction professionals and supervisors during site preparation, layout and grade checking by simplifying workflows, eliminating unnecessary steps, and providing intelligent data management between the field and the office, creating time savings by providing data updates to all members of the team.

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 U.S. and in Europe.

Proliance Software - Proliance® Software 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. The Proliance Software was designed for large building owner/operators, real estate developers, and engineering-driven organizations managing $250 million 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.

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, Hemisphere GPS and Novariant.

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Our 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 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. 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 such as 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-Guide 500 – A lightbar guidance system with a color LCD display, data logging functions and multiple accuracy options. Lightbar systems provide GPS-based guidance for vehicle operators to steer tractors, sprayers, fertilizer applicators, air seeders, and large tillage tools that require consistent pass-to-pass accuracy to help save fuel, increase efficiency, and reduce input costs for agricultural operations.

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, thereby allowing the user to select the system most appropriate for their data collection and maintenance needs.

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.

Software – An enterprise suite of modules oriented towards the electric and gas utilities market. Modules include Outage Management (OMS), Mobile Asset Management, Data Collection, Staking, Network Tracing & Isolation and Field-based GIS Editing. Sales and distribution of UtilityCenter® software solutions are direct to the customer. UtilityCenter software installation involves a degree of integration and professional services.

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Mobile Solutions

Our Mobile Solutions segment addresses gaps in technology for vehicles and mobile workers by providing both hardware and software applications 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.

Our vehicle solutions typically include an onboard proprietary hardware device consisting of a GPS receiver, business logic, sensor interface, and a wireless modem. Our solution usually includes the communication service from/to the vehicle to our data center and access over the internet to the application software.

Our mobile worker solutions include a rugged handset device and software designed to automate service technician work in the field at the point of customer contact. The mobile worker handset solutions also synchronize to a client server at the back office for integration with other mission-critical business applications.

Our scheduling and dispatch solution is an enterprise software program to optimize scheduling and routing of field service technicians. For dynamic capacity management, our capacity planner, capacity controller, and intelligent appointer modules round out this innovative service delivery automation technology.

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 $3,000, 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 @Road Inc. (@Road), Advanced Public Safety, Inc. (APS) and Visual Statement Inc. (VS). @Road 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. 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:

Fleet Productivity - Our fleet productivity solution offerings are comprised of the TrimWeb™, GeoManager™, and TrimView™ mobile platforms. The TrimWeb and GeoManager systems 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 and GeoManager systems include truck communication service and computer backbone support of the service. TrimView is sold to fleets where system integration into back office applications is required for more robust information flow.

Consumer Packaged Goods (CPG)- This software solution operates in the Microsoft CE/Pocket or WinMobile PC environment and addresses the pre-sales, delivery, route 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.

Field Service - Our handset-based mobile solution enables technicians to maintain and repair residential and commercial appliances, office equipment, medical equipment, refrigeration equipment, fountain, and manufacturing equipment, and manage a variety of service functions including wireless dispatching of service calls, real-time messaging, spare parts management, and work order and workflow management. Trimble Field Service customers have benefited from increased service calls per day, an increase in first call resolution and reduction in administrative workload to name a few results.

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Public Safety – We provide a suite of solutions for the public safety sector including our PocketCitation(TM) 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 provide a variation of this solution which enables law enforcement officers to complete electronic traffic citations within 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.

Taskforce – The Taskforce® software solution provides scheduling and dispatch solutions for field service technicians by synchronizing the right human and physical resources required to optimize a field service resource network. The system manages significant numbers of dynamic scheduling resources in an unpredictable field service environment to increase productivity, field force utilization and control-to-field employee ratios.

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.

Within Component Technologies, we provide GPS-based components for applications that require embedded position or time to market 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. We 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 is a leading provider of advanced products and enabling solutions that maximize productivity through mobile mapping and positioning to professional markets worldwide. Applanix develops, manufactures, sells and supports high-value, precision products that combine GPS with inertial sensors for accurate measurement of position and attitude, flight management systems, and scalable mobile mapping solutions used in airborne, land and marine applications. Sales are made by our direct sales force to end users, systems integrators, and OEMs, and through regional agents. Competitors include Leica, IGI and Novatel.

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 U.S. 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 business 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.

Representative products sold by this segment include:

Copernicus GPS Receiver–The Copernicus® Receiver is a full-function GPS receiver in a surface mount package the size of a postage stamp.

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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 System - 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 Digital Sensor System - A digital airborne imaging solution that produces high-resolution orthophoto map products. Certified by the USGS, the system consists of a mapping grade digital camera that is tightly integrated with a GNSS/Inertial system, flight management system (FMS) and processing software for automatic geo-referencing of each pixel. The DSS can be used stand-alone or integrated with other airborne mapping sensors such as LiDAR. The DSS has been used by organizations worldwide in a variety of markets segments that include ortho mapping, utility and transportation corridor mapping and rapid response applications.

Force 524D Module - A dual frequency, embedded GPS module that is used in a variety of military airborne applications.

Trimble Outdoors Service - Trip planning and navigation software that works with GPS-enabled cell phones and conventional GPS receivers. This software enables consumers to research specific trips on-line as part of trip pre-planning. In addition, users are able to share outdoor and off-road experiences on-line 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 three joint ventures and acquire twenty seven companies through fiscal 2007. 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. We acquired the following companies or assets in the last twelve months:

HHK

On December 19, 2007, we acquired privately-held HHK Datentechnik GmbH of Braunschweig, Germany, a provider of customized office and field software solutions for the cadastral survey market in Germany. HHK’s performance is reported under our Engineering and Construction business segment.

UtilityCenter

On November 8, 2007, we acquired the UtilityCenter assets from privately-held UAI, Inc. of Huntsville, Alabama. UAI is a leading provider of Geographic Information System (GIS)-based workflow automation and outage

management solutions for electric and gas utilities. UtilityCenter's performance is reported under our Field Solutions business segment.

Ingenieurbüro Breining GmbH

On September 19, 2007, we acquired Ingenieurbüro Breining GmbH of Kirchheim, Germany, a provider of customized field data collection and office software solutions for the survey market in Germany. Ingenieurbüro Breining's performance is reported under our Engineering and Construction business segment.

@Road, Inc.

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On February 16, 2007, we acquired publicly-held @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 is reported within our Mobile Solutions business segment. It significantly increases our presence in the mobile resource management, or MRM, market which Trimble believes is a large and fast growing market.

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 is reported within Trimble's Engineering and Construction segment.

Patents, Licenses and Intellectual Property

We hold approximately 791 U.S. issued and enforceable patents and approximately 119 non-U.S. 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 233 trademarks registered to Trimble and its subsidiaries including "Trimble," "AgGPS," "Spectra Precision," and "GeoExplorer," 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 2007, sales to customers in the United States represented 50%, Europe represented 27%, Asia Pacific represented 12%, and other regions represented 11% of our total revenues. 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.

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.

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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 understanding our business.

Manufacturing

Manufacturing of many of our GPS products is subcontracted to Flextronics International Limited. We utilize Flextronics for all of our Component Technologies products, and for some of our Construction and Survey, Field Solutions, and handheld products. We also utilize Flextronics for our high-end GPS products and new product introduction services. Flextronics 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 Flextronics 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 Shanghai, China. 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 $131.5 million for fiscal 2007, $103.8 million for fiscal 2006, and $84.3 million for fiscal 2005.

* 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 28, 2007, we employed 3,606 employees, including 36% in manufacturing, 28% in engineering, 24% in sales and marketing, and 12% in general and administrative positions. Approximately 43% of employees are in locations outside the United States.

Our employees are not represented by unions except for those in Sweden. Some employees in Germany are represented by works councils. 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.

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, 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

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Executive Officers

The names, ages, and positions of the Company's executive officers as of February 21, 2008 are as follows:

Name	Age	Position
Steven W. Berglund	56	President and Chief Executive Officer
Rajat Bahri	43	Chief Financial Officer
Rick Beyer	50	Vice President
Bryn A. Fosburgh	45	Vice President
Mark A. Harrington	52	Vice President
Irwin L. Kwatek	68	Vice President and General Counsel
Julie Shepard	50	Vice President, Finance
Dennis L. Workman	63	Vice President and Chief Technical Officer

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. In December 2007, Mr. Berglund was elected to the board of directors of Verigy Ltd. a semiconductor test equipment manufacturer.

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 to the board of STEC, Inc., a memory storage manufacturer.

Rick Beyer – Rick Beyer joined Trimble in March 2004 as president of Trimble Mobile Solutions and in May 2006, Mr. Beyer was appointed a vice president of Trimble. In October 2007 his role was expanded to include responsibility for a number of Trimble’s mobile solutions business divisions. 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, which was acquired by Trimble, 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.

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

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. In October 2007 his role was expanded to include a number of divisions, including construction and agriculture, as well as a responsibility for a number of corporate functions and geographical regions. 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.

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Mark A. Harrington – Mark Harrington joined Trimble in January 2004 as a vice president, primarily responsible for strategy and business development. In October 2007 his responsibilities were expanded to include a number of divisions, including survey and mapping and geographical information systems, as well as the responsibility for a number of corporate functions and geographical regions. 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.

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.

Julie Shepard – Julie Shepard joined Trimble in December of 2006 as vice president of finance, and was appointed principal accounting officer in May 2007. 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, and external reporting. Prior to joining Trimble, Ms. Shepard served as vice president of finance and corporate controller at Quantum Corporation, from 2005 to 2006, and prior to that, from 2004 to 2005, as an independent consultant to Quantum Corporation. She was 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.

Dennis L. Workman – Dennis Workman has served as vice president of various business divisions, currently including advanced devices and Applanix since September 1999. He was appointed Trimble’s chief technical officer in March 2006. From 1998 to 1999, Mr. Workman was senior director and chief technical officer of the newly formed Mobile and Timing Technologies 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 Subject Our Results of Operations to Significant Fluctuations From Quarter to Quarter

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. Accordingly, we have limited visibility into future changes in demand and our results of operations may be subject to significant fluctuations from quarter to 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. It could harm our operating results 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.

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 Flextronics International Limited as our preferred manufacturing partner for many of our GPS products. Under the agreement, we provide to Flextronics a twelve-month product forecast and place purchase orders with Flextronics 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 Flextronics are cancelable, the terms of the agreement would require us to purchase from Flextronics all inventory not returnable or usable by other Flextronics customers. Accordingly, if we inaccurately forecast demand for our products, we may be unable to obtain adequate manufacturing capacity from Flextronics to meet customers' delivery requirements or we may accumulate excess inventories, if such inventories are not usable by other Flextronics customers. Our current contract with Flextronics 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 as well as our operating results.

Our Annual and Quarterly Performance May Fluctuate Which Could Negatively Impact Our Operations and Our Stock Price

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,
- fluctuations in foreign currency exchange rates,
- the cost and availability of components,
- 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, 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. 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 margin 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 margin. A decline in gross margin could harm our results of operations and financial condition.

We Are Dependent on New Products and if we are Unable to Successfully Introduce Them Into The Market Our Customer Base May Decline or Fail to Grow as Anticipated

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. If we are unable to introduce new products, if other companies develop similar technology products, or if we do not develop compelling new products, the number of customers may not grow as anticipated, or may decline, which could harm our operating results.

We Are Dependent on Proprietary Technology, which Could Result in Litigation that Could Divert Significant Valuable Resources and Impair Our Liquidity

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. Any such litigation could require us to incur substantial costs and divert significant valuable resources, including the efforts of our technical and management personnel, which may impair our liquidity.

Investing in and Integrating New Acquisitions Could be Costly and May Place a Significant Strain on Our Management Systems and Resources

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:

- potential inability to successfully integrate acquired operations and products or to realize cost savings or other anticipated benefits from integration;
- 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 acquisitions;
- 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; and
- the potential unknown liabilities associated with acquired business.

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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 could be costly and place a significant strain on our management systems and resources.

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

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.

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.

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

Our GNSS technology is dependent on the use of satellite signals from space and on terrestrial communication bands. 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. Each country also has regulatory authority on how each band is used.

Any ITU or local 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 GNSS signal, to provide enhanced GNSS capabilities, such as real-time kinematic precision. The continuing availability of these non-GNSS radio frequencies is essential to provide enhanced GNSS products to our precision survey, agriculture and construction machine controls markets. Any regulatory changes in spectrum allocation or in allowable operating conditions could have a material adverse effect on our business, results of operations, and financial condition.

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 to local government. Some bands are experiencing congestion. In the US, 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 a material adverse effect on our business, results of operations, and financial condition.

Many of Our Products Rely on GNSS technology, the GPS, and other Satellite Systems, Which May Become Inoperable and Result in Lost Revenue

GNSS technology, GPS satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The GPS 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.

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As the only complete GNSS currently in operation, we are dependent on continued operation of GPS. GPS is operated by the U. S. Government, which is committed to maintenance and improvement of GPS; however if the policy were to change, and GPS were no longer supported by the U. S. Government, or if user fees were imposed, it could have a material adverse effect on our business, results of operations, and financial condition.

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.

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 could result in lost revenue which could harm our results of operations and financial condition.

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

Acts of war or acts of terrorism, especially any directed at the GPS signals, 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 invoke a redeployment of the satellites used in GPS or interruptions of the system. To the extent that such interruptions result in delays or cancellations of orders, or the manufacture or shipment of our products, it could have a material adverse effect on our business, results of operations, and financial condition.

We Are Exposed to Fluctuations in Currency Exchange Rates and Although We Hedge Against These Risks, Our Attempts to Hedge Could be Unsuccessful and Expose Us to Losses

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 could be unsuccessful and expose us to losses.

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

On February 16, 2007, we amended and restated our existing $200 million unsecured revolving credit agreement to an aggregate availability of up to $300 million. 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 harm our financial condition.

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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. If we experience problems from current or future alliances it could harm our operating results and we may not be able to realize value from any such strategic alliances.

We Face Competition in Our Markets Which Could Decrease Our Revenues and Growth Rates or Impair Our Operating Results and Financial Condition

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. The competition in the future may, in some cases, result in price reductions, reduced margins or loss of market share, any of which could decrease our revenues and growth rates or impair our 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.

We Are Subject to the Impact of Governmental and Other Similar Certifications and Failure to Obtain the Requisite Certifications Could Harm Our Operating Results

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 therefore, our operating results. Any failure to obtain the requisite certifications could also harm 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 2007, our stock price ranged from $25.47 to $57.41, 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;
- acquisition announcements;
- new products or product enhancements by us or our competitors; and

- 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.

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

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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 21, 2008:

Location	Segment(s) served	Size in Sq. Feet	Commitment
Sunnyvale, California	All	160,000	Leased, expiring in 2012 3 buildings
Huber Heights (Dayton), Ohio	Engineering & Construction Field Solutions Distribution	150,000 57,200 42,600	Owned, no encumbrances Leased, expiring in 2011 Leased, expiring in 2008
Westminster, Colorado	Engineering & Construction, Field Solutions	76,000	Leased, expiring in 2013
Corvallis, Oregon	Engineering & Construction	20,000 38,000	Owned, no encumbrances Leased, expiring in 2008
Richmond Hill, Canada	Advanced Devices	50,200	Leased, expiring in 2010
Danderyd, Sweden	Engineering & Construction	93,900	Leased, expiring in 2010
Christchurch, New Zealand	Engineering & Construction, Mobile Solutions, Field Solutions	65,000	Leased, expiring in 2010 2 buildings
Fremont, California (@Road)	Mobile Solutions	102,544	Leased, expiring in 2010 2 buildings
Chennai, India (@Road)	Mobile Solutions	37,910	Leased, expiring in 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 adverse effect on our business, results of operations, and financial condition.

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 2007.

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PART II

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

On October 12, 2007, we issued 48,670 shares of our common stock to a warrantholder pursuant to the exercise of warrants held by such warrantholder. The holder of the warrants exercised the warrants on a cashless basis by surrendering their right to purchase a portion of the shares of the common stock based on a value of $40.06 per share, representing the average closing price of our common stock on the ten-day period prior to the exercise date of October 9, 2007. In connection with the cashless exercise of the warrants, the warrants were surrendered and no underwriting discounts or commissions were paid. We offered and sold the common stock issued in connection with these cashless exercise of warrants in reliance on the exemption from registration for exchanges of securities with existing security holders by virtue of Section 3(a)(9) of the Securities Act of 1933, as amended.

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.

	2007 Sales Price		2006 Sales Price	
Quarter Ended	High	Low	High	Low
First quarter	$ 57.41	$ 25.47	$ 22.53	$ 17.51
Second quarter	32.65	26.83	24.26	19.68
Third quarter	41.33	32.24	25.55	21.29
Fourth quarter	43.15	30.40	26.18	22.10

Stock Repurchase Program

On January 23, 2008, the Company announced that its board of directors has authorized a stock repurchase program for up to $250 million, effective February 1, 2008. The timing and actual number of shares repurchased will depend on a variety of factors including price, regulatory requirements, capital availability, and other market conditions. The program does not require the purchase of any minimum number of shares and may be suspended or discontinued at any time without public notice.

As of February 21, 2008, there were approximately 986 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.

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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. In February 2007 we acquired @Road, Inc. which significantly impacted the trends shown below. Please refer to Note 4 to the Consolidated Financial Statements for more information.

As of And For the Fiscal Years Ended (Dollar in thousands, except per share data)	December 28, 2007	December 29, 2006	December 30, 2005	December 31, 2004	January 2, 2004
Revenue	$ 1,222,270	$ 940,150	$ 774,913	$ 668,808	$ 540,903
Gross margin	$ 612,905	$ 461,081	$ 389,805	$ 324,810	$ 268,030
Gross margin percentage	50.1%	49.0%	50.3%	48.6%	49.6%
Income from continuing operations	$ 117,374	$ 103,658	$ 84,855	$ 67,680	$ 38,485
Net income	$ 117,374	$ 103,658	$ 84,855	$ 67,680	$ 38,485
Per common share (1):					
Net income (1)					
- Basic	$ 0.98	$ 0.94	$ 0.80	$ 0.66	$ 0.41
- Diluted	$ 0.94	$ 0.89	$ 0.75	$ 0.62	$ 0.38
Shares used in calculating basic earnings per share (1)	119,280	110,044	106,432	102,326	95,010
Shares used in calculating diluted earnings per share (1)	124,410	116,072	113,638	109,896	100,024
Cash dividends per share	$ -	$ -	$ -	$ -	$ -
Total assets	$ 1,539,359	$ 983,477	$ 749,265	$ 657,975	$ 553,083
Non-current portion of long term debt and other non-current liabilities	$ 116,692	$ 28,000	$ 19,474	$ 38,226	$ 85,880

(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 Mobile Solutions and Advanced Devices segments, our products are generally sold through a dealer channel, and it is crucial that we maintain a proficient global, third-party distribution channel.

During 2007 we continued to execute our strategy with a series of actions that can be summarized in four categories.

Reinforcing our position in existing markets

* We believe that our markets provide us with additional, substantial potential for substituting our technology for traditional methods. In 2007, we continued to develop new products and to strengthen our distribution channels in order to expand our market opportunity. A number of new products such as the AgGPS EZ-Guide 500 system, Juno™ST handheld computer, Spectra Precision GL412 and 422 grade lasers, and Trimble CCS900 Compaction Control System, strengthened our competitive position and created new value for the user.

Extending 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. In fiscal 2007, we introduced the Trimble VX Spatial Station and a suite of interactive product training modules for the engineering and construction industry.

Bringing existing technology to new markets

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

Entering new market segments

* In 2007, we acquired @Road, 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, INPHO, a leader in photogrammetry and digital surface modeling for aerial surveying, mapping and remote sensing applications, Ingenieurbüro Breining, a provider of customized field data collection and office software solutions for the cadastral survey market in Germany. We also acquired UtilityCenter assets from UAI, Inc. which is a leading provider of Geographic Information System (GIS)-based workflow automation and outage management solutions for electric and gas utilities and HHK Datentechnik, a provider of customized office and field software solutions for the cadastral survey market in Germany.

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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 polices described below to be our critical accounting polices. 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

We recognize product revenue when persuasive evidence of an arrangement exists, shipment 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/or customer purchase orders are 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.

Revenue for orders is not recognized until the product is shipped and title has transferred to the buyer. We bear all costs and risks of loss or damage to the goods up to that point. Our shipment terms for U.S. orders and international orders fulfilled from our European distribution center typically provide that title passes 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. Other shipment terms may provide that title passes to the buyer upon delivery of the goods to the buyer. Shipping and handling costs are included in the cost of goods sold.

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

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

We present revenue net of sales taxes and any similar assessments.

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 post-customer contract support (PCS) relating to the embedded software.

Our software arrangements generally consist of a perpetual license fee and PCS. We have established vendor-specific objective evidence (VSOE) of fair value for our PCS contracts based on renewal rates. The remaining value of the software arrangement is allocated to the license fee using the residual method. License 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.

We apply EITF Issue 00-3, "Application of AICPA Statement of Position 97-2 to Arrangements That Include the Right to Use Software Stored on Another Entity's Hardware" for hosted arrangements which the customer does not have the contractual right to take possession of the software at any time during the hosting period without incurring a significant penalty and it is not feasible for the customer to run the software either on its own hardware or on a third-party’s hardware. Subscription revenue related to our hosted arrangements is recognized ratably over the contract period. Upfront fees for our hosted solution primarily consist of amounts for the in-vehicle enabling hardware device and peripherals, if any. For upfront fees relating to propriety hardware where the firmware is more than incidental to the functionality of the hardware in accordance with SOP No. 97-2, “Software Revenue Recognition,” we defer the upfront fees at installation and recognize them ratably over the minimum service contract period, generally one to five years. Product costs are also deferred and amortized over such period.

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In accordance with 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 is met.

Allowance for Doubtful Accounts and Sales Returns

Our accounts receivable balance, net of allowance for doubtful accounts and sales returns reserve, was $239.9 million as of December 28, 2007, as compared with $177.1 million as of December 29, 2006. The allowance for doubtful accounts was $5.2 million and $4.1 million as of December 28, 2007 and December 29, 2006, respectively. 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.

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 28, 2007 and December 29, 2006 were $1.7 million and $859,000, 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 $143.0 million as of December 28, 2007 compared with $112.6 million as of December 29, 2006. Our inventory allowances as of December 28, 2007 were $29.6 million, as compared with $28.6 million as of December 29, 2006. Our inventories are stated at the lower of standard cost (which approximates actual cost on a first-in, first-out basis) or market. 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.

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.

Our valuation allowance is attributable to, primarily, acquisition related Net Operating Loss and Research and Development Credit carryforwards. Management believes that it is more likely than not that we will not realize these deferred tax assets, and, accordingly, a valuation allowance has been provided for such amounts. When the tax attributes 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 goodwill rather than as a reduction of the income tax provision.

Goodwill and Purchased Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Intangible assets resulting from the acquisitions of entities accounted for using the purchase method of accounting are estimated by management based on the fair value of assets received. Identifiable intangible assets are comprised of distribution channels, patents, licenses, technology, acquired backlog and trademarks. Identifiable intangible assets are being amortized over the period of estimated benefit using the straight-line method and estimated useful lives ranging from one to ten years with a weighted average useful life of 6.2 years. Goodwill is not subject to amortization, but is subject to at least an annual assessment for impairment, applying a fair-value based test.

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Impairment of Goodwill, Intangible Assets and Other Long-Lived Assets

We evaluate goodwill, at a minimum, on an annual basis and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. The annual goodwill impairment testing is performed in the fourth fiscal quarter of each year. Goodwill is reviewed for impairment utilizing a two-step process. First, impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using a discounted cash flow approach. If the carrying amount of the reporting unit exceeds its fair value, a second step is performed to measure the amount of impairment loss, if any. In step two, the implied fair value of goodwill is calculated as the excess of the fair value of a reporting unit over the fair values assigned to its assets and liabilities. If the implied fair value of goodwill is less than the carrying value of the reporting unit's goodwill, the difference is recognized as an impairment loss. Our evaluation resulted in no impairment of goodwill.

Depreciation and amortization of the intangible assets and other long-lived assets is provided using the straight-line method over their estimated useful lives, reflecting the pattern of economic benefits associated with these assets. 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 of intangible assets or other long-lived assets differing from initial estimates. In those cases where we determine that the useful life of an asset should be revised, the net book value in excess of the estimated residual value will be expensed and the residual value is depreciated over its revised remaining useful life. These assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable based on their future cash flows. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows. The 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. No indicators of impairment have been identified.

Warranty Costs

The liability for product warranties was $10.8 million as of December 28, 2007, as compared with $8.6 million as of December 29, 2006. 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

Beginning in fiscal 2006, we adopted Statement of Financial Accounting Standards (SFAS) No. 123(R), "Share-Based Payment" (SFAS 123(R)), which requires the measurement and recognition of compensation expense for all share-based payment awards made to our employees and directors, including stock option and rights to purchase shares under stock participation plans, based on estimated fair values. We adopted SFAS 123(R) using the modified prospective application method, under which prior periods are not revised for comparative purposes. Prior to fiscal

2006, we applied Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and the disclosure provisions of SFAS No. 123, “Accounting for Stock-Based Compensation” (SFAS 123). 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.

Stock-based compensation expense recognized in the Company’s Consolidated Statements of Income for the period includes compensation expense for awards 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 awards granted subsequent to December 30, 2005 based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). The fair value of rights to purchase shares under stock participation plans was estimated using the Black-Scholes option-pricing model. For stock options granted prior to October 1, 2005, the fair value 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 is estimated on the date of grant using a binomial valuation model.

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The determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rates, and expected dividends. In addition, the binomial model incorporates actual option-pricing behavior and changes in volatility over the option's contractual term.

Beginning in fiscal 2006, our expected stock price volatility for stock purchase rights is based on implied volatilities of traded options on our stock and our expected stock price volatility for stock options is based on a combination of our historical stock price volatility for the period commensurate with the expected life of the stock option and the implied volatility of traded options. The use of implied volatilities was based upon the availability of actively traded options on our stock with terms similar to our awards and also upon our assessment that implied volatility is more representative of future stock price trends than historical volatility. However, because the expected life of our stock options is greater than the terms of our traded options, we used a combination of our historical stock price volatility commensurate with the expected life of our stock options and implied volatility of traded options. Prior to fiscal 2006, we used our historical stock price volatility in accordance with SFAS 123 for purposes of our pro-forma information.

We estimated the expected life of the awards based on an analysis of our historical experience of employee exercise and post-vesting termination behavior considered in relation to the contractual life of the options and purchase rights. The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected term of the awards.

We do not currently pay cash dividends on our common stock and do not anticipate doing so in the foreseeable future. Accordingly, our expected dividend yield is zero.

Because stock-based compensation expense recognized in the Consolidated Statement of Operations for fiscal 2007 and 2006 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. 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. Forfeitures were estimated based on historical experience.

If factors change and we employ different assumptions in the application of SFAS 123(R) in future periods, the compensation expense that we record under SFAS 123(R) may differ significantly from what we have recorded in the current period. In addition, valuation models, including the Black-Scholes and binomial models, may not provide reliable measures of the fair values of our stock-based compensation. Consequently, there is a risk that our estimates of the fair values of our stock-based compensation awards on the grant dates may bear little resemblance to the actual values realized upon the exercise, expiration, early termination, or forfeiture of those stock-based payments in the future. Certain stock-based payments, such as employee stock options, may expire worthless or otherwise result in zero intrinsic value as compared to the fair values originally estimated on the grant date and reported in our financial statements. Alternatively, value may be realized from these instruments that are significantly higher than the fair values originally estimated on the grant date and reported in our financial statements.

See Note 2 and Note 14 to the Consolidated Financial Statements for additional information.

RECENT BUSINESS DEVELOPMENTS

During fiscal 2007, we acquired the following companies or assets, and results of their operations have been combined in the results of our operations from the date of the acquisition.

HHK

On December 19, 2007, we acquired privately-held HHK Datentechnik GmbH of Braunschweig, Germany, a provider of customized office and field software solutions for the cadastral survey market in Germany. HHK's performance is reported under our Engineering and Construction business segment.

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UtilityCenter

On November 8, 2007, we acquired the UtilityCenter assets from privately-held UAI, Inc. of Huntsville, Alabama. UAI is a leading provider of Geographic Information System (GIS)-based workflow automation and outage management solutions for electric and gas utilities. UtilityCenter's performance is reported under our Field Solutions business segment.

Ingenieurbüro Breining GmbH

On September 19, 2007, we acquired Ingenieurbüro Breining GmbH of Kirchheim, Germany, a provider of customized field data collection and office software solutions for the survey market in Germany. Ingenieurbüro Breining's performance is reported under our Engineering and Construction business segment.

@Road, Inc.

On February 16, 2007, we acquired publicly-held @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 is reported within our Mobile Solutions business segment. @Road significantly increases our presence in the mobile resource management, or MRM, market which Trimble believes is a large and fast growing market.

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 is reported within Trimble's Engineering and Construction segment.

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 28, 2007	December 29, 2006	December 30, 2005
Total consolidated revenue	$ 1,222,270	$ 940,150	$ 774,913
Gross Margin	$ 612,905	$ 461,081	$ 389,805
Gross Margin %	50.1%	49.0%	50.3%
Total consolidated operating income	$ 178,267	$ 135,366	$ 124,944
Operating Income %	14.6%	14.4%	16.1%

Basis of Presentation

We have a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2007 was December 28, 2007. Fiscal 2007, 2006 and 2005 were all 52-week years.

Revenue

In fiscal 2007, total revenue increased by $282.1 million, or 30%, to $1,222.3 million from $940.2 million in fiscal 2006. The increase in fiscal 2007 was due to stronger performances across all our operating segments. Engineering and Construction revenue increased $106.2 million, or 17%; Field Solutions increased $61.4 million, or 44%; Mobile Solutions increased $96.8 million, or 159%; and Advanced Devices increased $17.7 million, or 17%, as compared to the corresponding period in fiscal 2006. Revenue growth within these segments was primarily driven by new products, a robust agricultural environment, strong international growth, as well as the impact of acquisitions of $97.8 million, partially offset by regional pockets of softness in the U.S. markets.

In fiscal 2006, total revenue increased by $165.2 million, or 21%, to $940.2 million from $774.9 million in fiscal 2005. The increase in fiscal 2006 was primarily due to stronger performance across all our operating segments. The Engineering and Construction, Field Solutions, Mobile Solutions and Advanced Devices segments increased 21%, 9%, 93%, and 13% respectively, as 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%.

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* During fiscal 2007, sales to customers in the United States represented 50%, Europe represented 27%, Asia Pacific represented 12%, and other regions represented 11% of our total revenues. 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 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. 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 2007, 2006, and 2005. 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 2007, our gross margin increased by $151.8 million as compared to fiscal 2006 due to higher revenue, higher margin products, including software and subscription revenue, and improved manufacturing utilization, partially offset by an increase of $14.5 million in amortization of purchased intangibles primarily due to the acquisition of @Road. Gross margin as a percentage of total revenue was 50.1% in fiscal 2007 and 49.0% in fiscal 2006. The increase in the gross margin percentage was driven primarily by a 2 percentage point increase due to higher margin products including software and subscription revenue, offset by a decrease of 1 percentage point due to increased amortization of purchased intangibles.

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 Caterpillar Trimble Control Technologies (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 49.0% in fiscal 2006 and 50.3% in fiscal 2005. The decrease in the gross margin percentage was driven primarily by a decrease of 3 percentage points due to the CTCT impact, amortization of purchased intangibles and stock-based compensation, offset by an increase of 2 percentage points due to higher margin products and subscription revenues.

* 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 margin cannot be assured.

Operating Income

Operating income increased by $42.9 million for fiscal 2007 as compared to fiscal 2006. Operating income as a percentage of total revenue for fiscal 2007 was 14.6% as compared to 14.4% for fiscal 2006 due to higher revenue and associated gross margin, and software and subscription revenue, partially offset by additional amortization of purchased intangibles.

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 the operating income during fiscal 2005.

Operating income as a percentage of total revenue was 14.4% for fiscal 2006 compared to 16.1% in fiscal 2005. The decrease in operating income was due to a 4 percentage point CTCT transaction reclassification impact, amortization of purchased intangibles, increased acquisition expenses, and stock-based compensation impact, partially offset by 2 percentage point increase driven by gross margin expansion.

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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 periods' segment operating results has been changed to conform to our current segment presentation.

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 28, 2007	December 29, 2006	December 30, 2005
Engineering and Construction			
Revenue	$ 743,291	$ 637,118	$ 524,461
Segment revenue as a percent of total revenue	61%	68%	68%
Operating income	$ 174,177	$ 136,157	$ 117,993
Operating income as a percent of segment revenue	23.4%	21.4%	22.5%
Field Solutions			
Revenue	$ 200,614	$ 139,230	$ 127,843
Segment revenue as a percent of total revenue	16%	15%	16%
Operating income	$ 60,933	$ 37,377	$ 32,527
Operating income as a percent of segment revenue	30.4%	26.8%	25.4%
Mobile Solutions			
Revenue	$ 157,673	$ 60,854	$ 31,481
Revenue as a percent of total consolidated revenue	13%	6%	4%
Operating income (loss)	$ 12,517	$ 2,550	$ (3,072)
Operating income (loss) as a percent of segment revenue	7.9%	4.2%	(9.8%)
Advanced Devices			
Revenue	$ 120,692	$ 102,948	$ 91,128
Segment revenue as a percent of total revenue	10%	11%	12%
Operating income	$ 17,276	$ 10,084	$ 13,212
Operating income as a percent of segment revenue	14.3%	9.8%	14.5%

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

Fiscal Years Ended (In thousands)	December 28, 2007	December 29, 2006	December 30, 2005

Consolidated segment operating income	$ 264,903	$ 186,168	$ 160,660
Unallocated corporate expense	(42,914)	(35,798)	(27,483)
Restructuring charges	(3,025)	--	(278)
Amortization of purchased intangible assets	(38,585)	(13,074)	(6,855)
In-process research and development	(2,112)	(1,930)	(1,100)
Consolidated operating income	178,267	135,366	124,944
Non-operating income (expense), net	5,489	12,726	(156)
Consolidated income before income taxes	$ 183,756	$ 148,092	$ 124,788

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Engineering and Construction

Engineering and Construction revenues increased by $106.2 million, or 17%, while segment operating income increased by $38.0 million, or 28%, for fiscal 2007 as compared to fiscal 2006. The revenue growth was driven by all business units within the segment, strong international markets, acquisitions made during the last twelve months and foreign exchange gains. Segment operating income increased as a result of higher revenue and increased sales of higher margin products including software revenue and operating expense control.

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 expenses related to CTCT transactions, and stock-based compensation expense that were not present in fiscal 2005.

Field Solutions

Field Solutions revenues increased by approximately $61.4 million, or 44%, while segment operating income increased by $23.6 million, or 63%, for fiscal year 2007 as compared to fiscal 2006. Revenue was driven primarily by the introduction of new agricultural products and a robust agricultural market, both in the U.S. and internationally. Operating income increased primarily due to higher revenue and operating expense control.

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 to growth in our GIS business. In GIS, growth was due to new products and a continuing shift to a higher value, differentiated distribution channel. Operating income increased primarily due to increased revenue, partially offset by the inclusion of stock-based compensation that was not present in fiscal 2005.

Mobile Solutions

Mobile Solutions revenues increased by $96.8 million, or 159%, while segment operating income increased by $10.0 million, or 391%, for fiscal 2007 as compared to fiscal 2006. Revenue grew due to increased subscription revenue due primarily to the @Road acquisition. Operating income increased primarily due to higher subscription revenue and associated gross margin.

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, and entry into new vertical markets. Operating income increased primarily due to higher subscription revenue and associated gross margin, partially offset by the inclusion of stock-based compensation that was not present in fiscal 2005.

Advanced Devices

Advanced Devices revenues increased by $17.7 million, or 17%, and segment operating income increased by $7.2 million, or 71%, for fiscal 2007 as compared to fiscal 2006. The increase in revenue was primarily driven by stronger performance in our Component Technologies timing and embedded product revenue. Operating income increased due to strong timing and embedded product revenue, licensing revenue associated with a Nokia intellectual property agreement signed in the third quarter of 2006, and strong operating expense control.

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.

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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 2007, 2006, and 2005 and should be read in conjunction with the narrative descriptions of those operating expenses below.

Fiscal Years Ended (In thousands)	December 28, 2007		December 29, 2006		December 30, 2005	
Research and development	$ 131,468	11%	$ 103,840	11%	$ 84,276	11%
Sales and marketing	186,495	15%	143,623	15%	120,215	15%
General and administrative	92,572	8%	68,416	7%	52,137	7%
	410,535	34%	315,879	34%	$ 256,628	33%

Overall, R&D, sales and marketing, and G&A expenses increased by approximately $94.7 million in fiscal 2007 compared to fiscal 2006.

Research and development expenses increased by $27.6 million in fiscal 2007 compared to fiscal 2006 primarily due to the inclusion of expenses of $16.8 million from acquisitions not applicable in the prior year, a $9.7 million increase in compensation related expenses, and a $3.2 million increase due to foreign currency exchange rates, partially offset by decreased consulting fees. Cost of software developed for external sale subsequent to reaching technical feasibility were not considered material and were expensed as incurred.

Research and development expenses increased by $19.6 million in fiscal 2006 as compared to fiscal 2005 primarily due to the inclusion of expenses of $4.6 million from acquisitions not applicable in the prior year, a $4.9 million increase in compensation related expenses, a $2.6 million in stock-based compensation expense not present in fiscal 2005, and a $2.3 million increase in R&D materials, primarily due to compliance with the European lead free initiative.

* 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 to 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 $42.9 million in fiscal 2007 as compared to fiscal 2006. The increase was primarily due to the inclusion of expenses of $20.7 million from acquisitions not applicable in the prior period, a $9.9 million increase in compensation-related expenses, a $4.3 million increase due to foreign currency exchange rates and a $3.4 million increase in marketing expenses. Spending overall remained relatively constant at approximately 15% of revenues.

Sales and marketing expenses increased by $23.4 million in fiscal 2006 as compared to fiscal 2005. The increase was primarily due to the inclusion of expenses of $7.5 million from acquisitions not applicable in the prior period, an $8.0 million increase in compensation-related expenses, a $2.8 million in stock-based compensation expense not present in fiscal 2005, and a $1.9 million increase in customer trade show expenses due to increased size and attendance at the shows.

* 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 $24.2 million in fiscal 2007 compared to fiscal 2006 primarily due to the inclusion of expenses of $10.0 million from acquisitions not applicable in the prior year, a $4.8 million increase in compensation-related expenses, and a $5.4 million increase in tax and legal fees. Spending overall was at approximately 8% of revenues.

General and administrative expenses increased by $16.3 million in fiscal 2006 compared to fiscal 2005 primarily due to the inclusion of expenses of $4.3 million from acquisitions not applicable in the prior year, a $3.9 million increase in compensation-related expenses, and $6.0 million in stock-based compensation expense not present in fiscal 2005.

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Other Operating Expenses

Restructuring Charges

Included in Other accrued liabilities on our Consolidated Balance Sheet is a restructuring accrual of $1.3 million as of December 28, 2007. In conjunction with the acquisition of @Road, we accrued $3.6 million for severance and benefits. These restructuring costs were recorded in accordance with EITF 95-3 as part of the purchase price with no impact on our Consolidated Statements of Income. During fiscal 2007 we paid $2.3 million against this restructuring accrual. The remaining restructuring accrual of $1.3 million is expected to be settled by the first half of fiscal 2008.

Included in our Consolidated Statements of Income for fiscal 2007 under "Restructuring charges" is a restructuring cost of $3.0 million for charges associated with the acceleration of vesting of employee stock options for certain terminated @Road employees. Of the total amount, $1.4 million was settled in cash and $1.6 million was recorded as Shareholder's Equity.

There were no restructuring charges recorded in fiscal 2006. Restructuring charges of $0.3 million were recorded in fiscal 2005, primarily related to office closure costs due to integration efforts of the Mensi acquisition.

In-Process Research and Development

We recorded in-process research and development (IPR&D) expenses of $2.1 million, $1.9 million, and $1.1 million related to acquisitions made in fiscal 2007, 2006 and 2005 respectively. 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.

Amortization of Purchased and Other Intangible Assets

Fiscal Years Ended (in thousands)	December 28, 2007	December 29, 2006	December 30, 2005
Cost of sales	$ 19,778	$ 5,353	$ 165
Operating expenses	18,966	7,906	6,855
Total	$ 38,744	$ 13,259	$ 7,020

Total amortization expense of purchased and other intangible assets was $38.7 million in fiscal 2007, of which $19.8 million was recorded in cost of sales and $19.0 million was recorded in operating expenses. Total amortization expense of purchased and other intangibles represented 3.2% of revenue in fiscal 2007, an increase of $25.5 million from fiscal 2006 when it represented 1.4% of revenue. The increase was primarily due to the acquisition of certain technology and patent intangibles as a result of acquisitions made in fiscal 2007, primarily @Road and to a lesser extent, fiscal 2006 acquisition intangibles that included a full year of amortization expense in fiscal 2007, but only partial year amortization expense in fiscal 2006 due to the timing of the acquisitions.

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.

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Non-operating Income (Expense)

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

Fiscal Years Ended (in thousands)	December 28, 2007	December 29, 2006	December 30, 2005
Interest income	$ 3,502	$ 3,799	$ 836
Interest expense	(6,602)	(558)	(2,331)
Foreign exchange gain (loss)	(1,351)	1,719	1,022
Income (expenses) for joint ventures, net	8,377	6,989	(291)
Other income, net	1,563	777	608
Total non-operating income (expense)	$ 5,489	$ 12,726	$ (156)

Total non-operating income (expense) decreased by $7.2 million during fiscal 2007 compared with fiscal 2006. Of this decrease, $6.0 million was due to higher interest expense due to an increase in debt associated with the @Road acquisition, $3.1 million was due to a change in foreign currency transactions due to fluctuations in the U.S. to Canadian and Euro currencies, and these decreases were partially offset by increased profits from our CTCT joint venture.

Total non-operating income (expense) increased by $12.9 million during fiscal 2006 compared with fiscal 2005. Of this increase, $4.7 million 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 joint ventures, net increased by $7.3 million due a $5.2 million increase in income from joint ventures 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.

Income Tax Provision

Our effective income tax rate for fiscal years 2007, 2006 and 2005 was 36%, 30% and 32% respectively. The 2007 rate was greater than the U.S. federal statutory rate of 35% due to impacts resulting from SFAS No. 123(R), “Share-Based Payment.” The 2006 rate was less than the US federal statutory rate primarily due to operations in foreign jurisdictions subject to an effective tax rate lower than the U.S. and the Extraterritorial Income Exclusion (ETI) deduction. The 2005 income tax rate was less than the U.S. 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.

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.

In the normal course of business to facilitate sales of its products, we indemnify other parties, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. We have 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, we have entered into indemnification agreements with its officers and directors, and the Company’s bylaws contain similar indemnification obligations to our agents.

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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 us under these agreements were not material and no liabilities have been recorded for these obligations on the Consolidated Balance Sheets as of December 28, 2007 and December 29, 2006.

LIQUIDITY AND CAPITAL RESOURCES

As of and for the Fiscal Year Ended (dollars in thousands)	December 28, 2007	December 29, 2006	December 30, 2005
Cash and cash equivalents	$ 103,202	$ 129,621	$ 73,853
As a percentage of total assets	6.7%	13.2%	9.9%
Total debt	$ 60,690	$ 481	$ 649
Cash provided by operating activities	$ 186,985	$ 135,843	$ 92,365
Cash used in investing activities	$ (311,392)	$ (114,188)	$ (74,403)
Cash provided by (used in) financing activities	$ 103,816	$ 34,162	$ (13,402)
Effect of exchange rate changes on cash and cash equivalents	$ (5,828)	$ (49)	$ (2,579)
Net increase (decrease) in cash and cash equivalents	$ (26,419)	$ 55,768	$ 1,981

Cash and Cash Equivalents

As of December 28, 2007, cash and cash equivalents totaled $103.2 million compared to $129.6 million at December 29, 2006. We had debt of $60.7 million at December 28, 2007 compared to $481,000 at December 29, 2006.

* 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.

* We believe that our cash and cash equivalents, together with our revolving credit facilities will be sufficient to meet our anticipated operating cash needs and stock purchases under the stock repurchase program 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.

Operating Activities

Cash provided by operating activities was $187.0 million for fiscal 2007, as compared to $135.8 million for fiscal 2006. This increase of $51.1 million was primarily driven by an increase in net income before non-cash depreciation and amortization and increases in deferred revenue and income taxes payable. This was, partially offset by an increase in accounts receivable due to increased revenue.

Cash provided by operating activities was $135.8 million for fiscal 2006, as compared to $92.4 million for fiscal 2005. This increase of $43.4 million was primarily driven by an 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.

Investing Activities

Cash used in investing activities was $311.4 million for fiscal 2007, as compared to $114.2 million for fiscal 2006. The increase was primarily attributable to cash used for the @Road acquisition.

Cash used in investing activities was $114.2 million in fiscal 2006, as compared to $74.4 million in fiscal 2005. The $39.8 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.

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Financing Activities

Cash provided by financing activities was $103.8 million for fiscal 2007, as compared to $34.2 million for fiscal 2006, primarily related to outstanding debt that was incurred for the @Road acquisition.

Cash provided by financing activities was $34.2 million for fiscal 2006 compared to cash used of $13.4 million for fiscal 2005. The $47.6 million improvement was primarily due to a $38.3 million decrease in repayment of net debt and $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.

Accounts Receivable and Inventory Metrics

As of	December 28, 2007	December 29, 2006
Accounts receivable days sales outstanding	70	69
Inventory turns per year	4.3	4.1

Accounts receivable days of sales outstanding were relatively flat at 70 days as of December 28, 2007, as compared to 69 days as of December 30, 2006 with a slight increase due to a larger percentage of international business in the fourth quarter of fiscal 2007. Our accounts receivable days of sales outstanding are calculated based on ending accounts receivable, net, divided by revenue for the fourth fiscal quarter, times 91 days. Our inventory turns were at 4.3 for fiscal 2007 as compared to 4.1 for fiscal 2006 due to operational efficiencies. Our inventory turnover is based on the total cost of sales for the fiscal period over the average inventory for the corresponding fiscal period.

Debt

At the end of fiscal 2007, our total debt was comprised primarily of our term loan related to the acquisition of @Road in the amount of approximately $60.7 million as compared with approximately $481,000 at the end of fiscal 2006.

On July 28, 2005, we entered into a $200 million unsecured revolving credit agreement (the 2005 Credit Facility) with a syndicate of 10 banks with The Bank of Nova Scotia as the administrative agent. The funds available under the 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 incurred a commitment fee when the 2005 Credit Facility was not used. The commitment fee is not material to our results during all periods presented.

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 option in the existing credit agreement to increase the availability under the revolving credit line by $100 million, for an aggregate availability of up to $300 million, 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, during the first quarter of fiscal 2007 the Company incurred a five-year term loan under the 2007 Credit Facility in an aggregate principal amount of $100 million, 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%. The maximum leverage ratio under the 2007 Credit Facility is 3.00:1. The funds available under the new 2007 Credit

Facility may be used by the Company for acquisitions, stock repurchases, and general corporate purposes. For additional discussion of our debt, see Note 9 of Notes to the Consolidated Financial Statements.

The Company may borrow funds under the 2007 Credit Facility in U.S. Dollars or in certain other currencies, and borrowings will bear interest, at the Company's option, at either: (i) a base rate, based on the administrative agent's prime rate, plus a margin of between 0% and 0.125%, depending on the Company's leverage ratio as of its most recently ended fiscal quarter, or (ii) a reserve-adjusted rate based on the London Interbank Offered Rate (LIBOR), Euro Interbank Offered Rate (EURIBOR), Stockholm Interbank Offered Rate (STIBOR), or other agreed-upon rate, depending on the currency borrowed, plus a margin of between 0.625% and 1.125%, depending on the Company's leverage ratio as of the most recently ended fiscal quarter. The Company's obligations under the 2007 Credit Facility are guaranteed by certain of the Company's domestic subsidiaries.

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The 2007 Credit Facility contains customary affirmative, negative and financial covenants including, among other requirements, negative covenants that restrict the Company's ability to dispose of assets, create liens, incur indebtedness, repurchase stock, pay dividends, make acquisitions, make investments, enter into mergers and consolidations and make capital expenditures, within certain limitations, and financial covenants that require the maintenance of leverage and fixed charge coverage ratios. The 2007 Credit Facility contains events of default that include, among others, non-payment of principal, interest or fees, breach of covenants, inaccuracy of representations and warranties, cross defaults to certain other indebtedness, bankruptcy and insolvency events, material judgments, and events constituting a change of control. Upon the occurrence and during the continuance of an event of default, interest on the obligations will accrue at an increased rate and the lenders may accelerate the Company's obligations under the 2007 Credit Facility, however that acceleration will be automatic in the case of bankruptcy and insolvency events of default. As of December 28, 2007 we were in compliance with all financial debt covenants.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations at December 28, 2007:

		Payments Due By Period		
(in thousands)	Total	Less than 1 year	2-3 Years	4-5 years	More than 5 years
Total debt including interest (1)	$ 70,220	$ 3,203	$ 20,749	$ 46,268	$ -
Operating leases	53,991	16,592	23,314	12,653	1,432
Other purchase obligations and commitments	60,570	41,924	14,494	4,084	68
Total	$ 184,781	$ 61,719	$ 58,557	$ 63,005	$ 1,500

(1) We may borrow funds under the 2007 Credit Facility in U.S. Dollars or in certain other currencies, and will bear interest, at our option, at either: (i) a base rate, based on the administrative agent's prime rate, plus a margin of between 0% and 0.125%, depending on our leverage ratio as of its most recently ended fiscal quarter, or (ii) a reserve-adjusted rate based on the London Interbank Offered Rate (LIBOR), Euro Interbank Offered Rate (EURIBOR), Stockholm Interbank Offered Rate (STIBOR) or other agreed-upon rate, depending on the currency borrowed, plus a margin of between 0.625% and 1.125%, depending on our leverage ratio as of the most recently ended fiscal quarter. Our obligations under the 2007 Credit Facility are guaranteed by certain of our domestic subsidiaries. We estimate the interest to be 5.0% per annum.

Total debt consists of term loans of $60.0 million under our credit facilities and government loans of $0.7 million 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. Purchase obligations exclude agreements that are cancelable without penalty. Our pension obligation, which is not included in the table above, is included in “Other current liabilities” and “Other non-current liabilities” on our Consolidated Balance Sheets. Additionally, as of December 28, 2007, we had acquisition earn-outs of $7.6 million and holdbacks of $10.3 million recorded in “Other current liabilities” and “Other non-current liabilities.” The maximum remaining payments, including the $7.6 million and $10.3 million recorded, will not exceed $71.5 million. The remaining earn-outs and holdbacks are payable through 2010.

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We adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," (FIN 48), on December 30, 2006. A total of $28.4 million, including interests and penalties, represents the FIN 48 liability at December 28, 2007. At this time, we cannot make a reasonably reliable estimate of the period of cash settlement with tax authorities regarding this liability.

EFFECT OF NEW ACCOUNTING PRONOUNCEMENTS

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

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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 2007 and 2006. The main objective of these instruments 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 are exposed to market risk due to the possibility of changing interest rates under our senior secured credit facilities. Our credit facilities are comprised of an unsecured revolving credit agreement with a maturity date of February 2012, and a five-year term loan which will mature concurrently with the revolving credit line. We may borrow funds under the revolving credit agreement in U.S. Dollars or in certain other currencies, and borrowings will bear interest, at our option, at either: (i) a base rate, based on the administrative agent's prime rate, plus a margin of between 0% and 0.125%, depending on our leverage ratio as of its most recently ended fiscal quarter, or (ii) a reserve-adjusted rate based on the London Interbank Offered Rate (“LIBOR”), Euro Interbank Offered Rate (“EURIBOR”), Stockholm Interbank Offered Rate (“STIBOR”), or other agreed-upon rate, depending on the currency borrowed, plus a margin of between 0.625% and 1.125%, depending on our leverage ratio as of the most recently ended fiscal quarter.

As of December 28, 2007, we did not have an outstanding balance on the revolving credit lines and the worldwide outstanding principal balance on the term loan was $60.0 million. A hypothetical 10% increase in the three-month LIBOR rates could result in approximately $0.3 million annual increase in interest expense on the existing principal balances.

* The hypothetical changes and assumptions made above will be different from what actually occurs in the future. Furthermore, the computations do not anticipate actions that may be taken by our management should the hypothetical market changes actually occur over time. As a result, actual earnings effects in the future will differ from those quantified above.

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 contracts for trading purposes.

Foreign exchange forward contracts outstanding as of December 28, 2007 and December 29, 2006 are summarized as follows (in thousands):

	December 28, 2007		December 29, 2006	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Forward contracts:				
Purchased	$ (34,865)	$ 325	$ (21,442)	$ 201
Sold	$ 34,946	$ (782)	$ 38,579	$ (358)

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

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Item 8. Financial Statements and Supplementary Data

CONSOLIDATED BALANCE SHEETS

(in thousands)	December 28, 2007	December 29, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 103,202	$ 129,621
Accounts receivable, less allowance for doubtful accounts of $5,221 and $4,063, and sales return reserve of $1,683 and $859 at December 28, 2007 and December 29, 2006, respectively	239,884	177,054
Other receivables	10,201	6,014
Inventories, net	143,018	112,552
Deferred income taxes	44,333	25,905
Other current assets	15,661	13,026
Total current assets	556,299	464,172
Property and equipment, net	51,444	47,998
Goodwill	675,850	374,510
Other purchased intangible assets, net	197,777	67,172
Other non-current assets	57,989	29,625
Total assets	$ 1,539,359	$ 983,477
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 126	$ --
Accounts payable	67,589	49,194
Accrued compensation and benefits	55,133	47,006
Income taxes payable	14,802	23,814
Deferred revenue	49,416	28,060
Accrued warranty expense	10,806	8,607
Deferred income taxes	4,129	4,525
Other accrued liabilities	47,851	24,973
Total current liabilities	249,852	186,179
Non-current portion of long-term debt	60,564	481
Non-current deferred revenue	15,872	--
Deferred income tax	47,917	21,633
Other non-current liabilities		