TRIMBLE NAVIGATION LTD /CA/
Form 10-Q
November 05, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 27, 2013

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: 001-14845

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 Number)

935 Stewart Drive, Sunnyvale, CA 94085
(Address of principal executive offices) (Zip Code)
Telephone Number (408) 481-8000
(Registrant's telephone number, including area code)

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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ý	Accelerated Filer ¨
Non-accelerated Filer ¨ (Do not check if a smaller reporting company)	Smaller Reporting Company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

As of October 30, 2013, there were 257,841,947 shares of Common Stock (no par value) outstanding.

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FORM 10-Q for the Quarter Ended September 27, 2013
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PART I – FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TRIMBLE NAVIGATION LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

As of (In thousands)	Third Quarter of 2013	Fiscal Year End 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$115,257	$157,771
Restricted cash	6,696	—
Accounts receivable, net	361,556	323,477
Other receivables	13,443	17,327
Inventories, net	241,509	240,529
Deferred income taxes	44,578	43,473
Other current assets	45,454	33,396
Total current assets	828,493	815,973
Property and equipment, net	136,155	96,890
Goodwill	1,938,870	1,815,699
Other purchased intangible assets, net	621,675	644,419
Other non-current assets	109,979	96,123
Total assets	$3,635,172	$3,469,104
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	$105,202	$38,092
Accounts payable	105,808	124,532
Accrued compensation and benefits	87,829	86,064
Deferred revenue	174,407	138,920
Accrued warranty expense	17,455	17,066
Other current liabilities	78,336	63,996
Total current liabilities	569,037	468,670
Non-current portion of long-term debt	703,862	873,066
Non-current deferred revenue	16,541	7,262
Deferred income taxes	135,494	148,260
Other non-current liabilities	70,085	58,322
Total liabilities	1,495,019	1,555,580
Commitments and contingencies		
EQUITY		
Shareholders’ equity:		
Preferred stock, no par value; 3,000 shares authorized; none outstanding	—	—
Common stock, no par value; 360,000 shares authorized; 257,451 and 254,486 shares issued and outstanding as of the third quarter of fiscal 2013 and fiscal year end 2012, respectively	1,077,756	1,006,818
Retained earnings	1,025,119	868,026
Accumulated other comprehensive income	23,944	22,611
Total Trimble Navigation Ltd. shareholders’ equity	2,126,819	1,897,455
Noncontrolling interests	13,334	16,069

Total equity	2,140,153	1,913,524
Total liabilities and equity	$3,635,172	$3,469,104

See accompanying Notes to the Condensed Consolidated Financial Statements.

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TRIMBLE NAVIGATION LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Third Quarter of		First Three Quarters of	
(In thousands, except per share data)	2013	2012	2013	2012
Revenue:				
Product	$401,565	$386,902	$1,240,232	$1,187,638
Service	85,521	64,237	251,628	185,262
Subscription	69,416	53,624	197,046	151,690
Total revenue	556,502	504,763	1,688,906	1,524,590
Cost of sales:				
Product	187,865	185,102	587,059	577,281
Service	31,959	23,615	95,351	67,592
Subscription	21,223	17,450	62,190	47,859
Amortization of purchased intangible assets	20,402	15,728	59,938	42,145
Total cost of sales	261,449	241,895	804,538	734,877
Gross margin	295,053	262,868	884,368	789,713
Operating expense				
Research and development	71,622	61,181	221,785	185,721
Sales and marketing	85,507	76,481	254,437	230,094
General and administrative	53,648	45,723	158,378	142,595
Restructuring charges	31	301	4,602	1,894
Amortization of purchased intangible assets	21,216	15,712	60,775	47,170
Total operating expense	232,024	199,398	699,977	607,474
Operating income	63,029	63,470	184,391	182,239
Non-operating income, net				
Interest expense, net	(4,122)	(3,925)	(13,448)	(11,561)
Foreign currency transaction gain (loss)	(157)	174	(1,126)	(1,843)
Income from equity method investments	4,494	6,453	15,908	19,708
Other income, net	268	650	847	1,897
Total non-operating income, net	483	3,352	2,181	8,201
Income before taxes	63,512	66,822	186,572	190,440
Income tax provision	8,892	13,022	28,067	33,403
Net income	54,620	53,800	158,505	157,037
Less: Net gain (loss) attributable to noncontrolling interests	151	436	(353)	(837)
Net income attributable to Trimble Navigation Ltd.	$54,469	$53,364	$158,858	$157,874
Basic earnings per share	$0.21	$0.21	$0.62	$0.63
Shares used in calculating basic earnings per share	257,037	251,742	256,135	250,404
Diluted earnings per share	$0.21	$0.21	$0.61	$0.62
Shares used in calculating diluted earnings per share	261,137	256,758	260,664	256,288

See accompanying Notes to the Condensed Consolidated Financial Statements.

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TRIMBLE NAVIGATION LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Third Quarter of		First Three Quarters of	
	2013	2012	2013	2012
(Dollars in thousands)				
Net income	$54,620	$53,800	$158,505	$157,037
Foreign currency translation adjustments	28,756	29,182	1,470	1,610
Net unrealized actuarial loss	(101)	(114)	(136)	(58)
Comprehensive income	83,275	82,868	159,839	158,589
Less: Comprehensive gain (loss) attributable to the noncontrolling interests	151	436	(353)	(837)
Comprehensive income attributable to Trimble Navigation Ltd.	$83,124	$82,432	$160,192	$159,426

See accompanying Notes to the Condensed Consolidated Financial Statements.

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TRIMBLE NAVIGATION LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Dollars in thousands)	First Three Quarters of 2013	2012
Cash flow from operating activities:		
Net income	$158,505	$157,037
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	19,630	16,910
Amortization expense	120,713	89,315
Provision for doubtful accounts	1,204	1,428
Deferred income taxes	(13,520)	646
Stock-based compensation	26,158	23,628
Income from equity method investments	(15,908)	(19,708)
Excess tax benefit for stock-based compensation	(8,803)	(16,673)
Provision for excess and obsolete inventories	1,551	6,372
Other non-cash items	738	(3,019)
Add decrease (increase) in assets:		
Accounts receivable	(28,466)	(39,496)
Other receivables	4,047	(7,996)
Inventories	2,645	(4,650)
Other current and non-current assets	(22,765)	(2,844)
Add increase (decrease) in liabilities:		
Accounts payable	(22,467)	7,828
Accrued compensation and benefits	(2,738)	6,375
Deferred revenue	46,891	12,390
Accrued warranty expense	347	(2,491)
Other current and non-current liabilities	10,646	18,842
Net cash provided by operating activities	278,408	243,894
Cash flow from investing activities:		
Acquisitions of businesses, net of cash acquired	(200,401)	(355,484)
Acquisitions of property and equipment	(57,646)	(34,126)
Dividends received from equity method investments	7,672	2,140
Increase in restricted cash	(6,696)	—
Other	663	(492)
Net cash used in investing activities	(256,408)	(387,962)
Cash flow from financing activities:		
Issuances of common stock, net of tax withholding	37,667	37,142
Excess tax benefit for stock-based compensation	8,803	16,673
Proceeds from debt and revolving credit lines	332,021	478,556
Payments on debt and revolving credit lines	(440,886)	(401,062)
Net cash provided by (used in) financing activities	(62,395)	131,309
Effect of exchange rate changes on cash and cash equivalents	(2,119)	(22)
Net decrease in cash and cash equivalents	(42,514)	(12,781)
Cash and cash equivalents, beginning of period	157,771	154,621
Cash and cash equivalents, end of period	$115,257	$141,840

See accompanying Notes to the Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

NOTE 1. OVERVIEW AND BASIS OF PRESENTATION

Trimble Navigation Limited (the "Company"), incorporated in California in 1981, provides positioning solutions to commercial and government users in a large number of markets. These markets include surveying, agriculture, construction, asset management, mapping and mobile resource management.

The Company has a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2012 was December 28, 2012. The third quarter of fiscal 2013 and 2012 ended on September 27, 2013 and September 28, 2012, respectively. Fiscal 2013 is a 53-week year and 2012 is a 52-week year. Unless otherwise stated, all dates refer to the Company’s fiscal year and fiscal periods.

The Condensed Consolidated Financial Statements include the results of the Company and its consolidated subsidiaries. Inter-company accounts and transactions have been eliminated. Noncontrolling interests represent the noncontrolling shareholders’ proportionate share of the net assets and results of operations of the Company’s consolidated subsidiaries.

The accompanying financial data as of the third quarter of fiscal 2013 and for the third quarter and the first three quarters of fiscal 2013 and 2012 has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements, prepared in accordance with U.S. generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations. The Condensed Consolidated Balance Sheet as of fiscal year end 2012 is derived from the audited Consolidated Financial Statements included in the Annual Report on Form 10-K of Trimble Navigation Limited for fiscal year 2012. The following discussion should be read in conjunction with the Company’s 2012 Annual Report on Form 10-K.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in its Condensed Consolidated Financial Statements and accompanying notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management’s best knowledge of current events and actions that may impact the company in the future, actual results may be different from the estimates.

In the opinion of management, all adjustments necessary have been made to present a fair statement of results for the interim periods presented. The results of operations for the third quarter and the first three quarters of fiscal 2013 are not necessarily indicative of the operating results for the full fiscal year or any future periods. Individual segment revenue may be affected by seasonal buying patterns and general economic conditions.

The Company has evaluated all subsequent events through the date that these financial statements have been filed with the Securities and Exchange Commission.

The Company has presented revenue and cost of sales separately for products, service and subscriptions. Product revenue includes primarily hardware, software licenses, parts and accessories; service revenue includes primarily hardware and software maintenance and support, training and professional services; subscription revenue includes software as a service (SaaS).

On February 11, 2013, Trimble's Board of Directors approved a 2-for-1 split of all outstanding shares of the Company's Common Stock, payable March 20, 2013 to shareholders of record on March 6, 2013. All shares and per share information presented has been adjusted to reflect the stock split on a retroactive basis for all periods presented.

NOTE 2. UPDATES TO SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to the Company’s significant accounting polices during the first three quarters of fiscal 2013 from those disclosed in the Company’s 2012 Form 10-K.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued a new accounting standard that will generally require the presentation of certain unrecognized tax benefits as reductions to deferred tax assets rather than as liabilities in the Consolidated Condensed Balance Sheets when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Trimble will be required to adopt this new standard on a prospective basis in the first quarter of fiscal 2014; however, early adoption is permitted as is a retrospective application. The Company will

reflect the impact of these amendments beginning in the first quarter of fiscal 2014. The Company does not anticipate a material impact on its condensed consolidated financial statements as a result of this change.

NOTE 3. SHAREHOLDERS' EQUITY

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Stock Repurchase Activities

In October 2011, the Company's Board of Directors approved a stock repurchase program ("2011 Stock Repurchase Program"), authorizing the Company to repurchase up to $100.0 million of Trimble's common stock. No shares of common stock were repurchased during the first three quarters of fiscal 2013 or 2012. The timing and actual number of future 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.

Stock-Based Compensation Expense

The Company accounts for its employee stock options, restricted stock units and employee stock purchase plan (ESPP) under the fair value method, which requires stock-based compensation to be estimated using the fair value on the date of grant using an option-pricing model. The value of the portion of the award that is expected to vest is recognized as expense over the related employees' requisite service periods in the Company's Condensed Consolidated Statements of Income.

The following table summarizes stock-based compensation expense related to employee stock-based compensation (for all plans) included in the unaudited Condensed Consolidated Statements of Income for the third quarter and first three quarters of fiscal 2013 and 2012.

	Third Quarter of		First Three Quarters of	
	2013	2012	2013	2012
(Dollars in thousands)				
Cost of sales	$609	$502	$1,816	$1,480
Research and development	1,265	1,163	3,644	3,869
Sales and marketing	1,816	1,616	5,341	5,244
General and administrative	5,215	4,403	15,357	13,035
Total operating expenses	8,296	7,182	24,342	22,148
Total stock-based compensation expense	$8,905	$7,684	$26,158	$23,628

Fair value of Trimble Options

Stock option expense recognized in the unaudited Condensed Consolidated Statements of Income is based on the fair value of the portion of share-based payment awards that is expected to vest during the period and is net of estimated forfeitures. The Company's compensation expense for stock options is recognized using the straight-line single option method. The fair values for stock options are estimated on the date of grant using the binomial valuation model. The binomial model takes into account variables such as volatility, dividend yield rate and risk free interest rate. In addition, the binomial model incorporates actual option-pricing behavior and changes in volatility over the option's contractual term. For options granted during the third quarter and first three quarters of fiscal 2013 and 2012, the following weighted average assumptions were used:

	Third Quarter of		First Three Quarters of	
	2013	2012	2013	2012
Expected dividend yield	—	—	—	—
Expected stock price volatility	34.7%	41.1%	34.8%	41.2%
Risk free interest rate	0.5%	0.6%	0.5%	0.7%
Expected life of options	3.8 years	4.1 years	4.0 years	4.2 years

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

Expected Stock Price Volatility – The Company's computation of expected volatility is based on a combination of implied volatilities from traded options on the Company's stock and historical volatility, commensurate with the expected life of the stock options.

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

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

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Fair value of Restricted Stock Units

Restricted stock units are converted into shares of Trimble common stock upon vesting on a one-for-one basis. Vesting of restricted stock units is subject to the employee's continuing service to the Company. The compensation expense related to these awards is determined using the fair value of Trimble's common stock on the date of grant, and the expense is recognized on a straight-line basis over the vesting period. Restricted stock units typically vest at the end of three years.

Fair value of Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan, rights to purchase shares are generally granted during the second and fourth quarter of each year. The fair value of rights granted under the Employee Stock Purchase Plan was estimated at the date of grant using the Black-Scholes option-pricing model.

NOTE 4. GOODWILL AND INTANGIBLE ASSETS

Intangible Assets

Intangible Assets consisted of the following:

	Third Quarter of Fiscal 2013			Fiscal Year End 2012		
As of (Dollars in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed product technology	$669,510	$(338,027)	$331,483	$610,643	$(267,952)	$342,691
Trade names and trademarks	45,667	(27,254)	18,413	42,512	(23,241)	19,271
Customer relationships	415,200	(175,020)	240,180	385,269	(135,571)	249,698
Distribution rights and other intellectual properties	78,738	(47,139)	31,599	72,510	(39,751)	32,759
	$1,209,115	$(587,440)	$621,675	$1,110,934	$(466,515)	$644,419

The estimated future amortization expense of purchased intangible assets as of the third quarter of fiscal 2013 was as follows:

(Dollars in thousands)	
2013 (Remaining)	$41,591
2014	144,215
2015	131,956
2016	112,494
2017	90,632
Thereafter	100,787
Total	$621,675

Goodwill

The changes in the carrying amount of goodwill by operating segment for the first three quarters of fiscal 2013 were as follows:

(Dollars in thousands)	Engineering and Construction	Field Solutions	Mobile Solutions	Advanced Devices	Total
Balance as of fiscal year end 2012	$958,103	$68,684	$763,386	$25,526	$1,815,699
Additions due to acquisitions	76,894	9,315	32,770	—	118,979
Purchase price adjustments	(173)	—	(383)	35	(521)
Foreign currency translation adjustments	6,082	716	(1,470)	(615)	4,713
Balance as of the third quarter of fiscal 2013	$1,040,906	$78,715	$794,303	$24,946	$1,938,870

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The Company determined the total consideration paid for each of its acquisitions as well as the fair value of the assets acquired and liabilities assumed as of the date of acquisition. For certain acquisitions completed in fiscal 2012 and the first three quarters of fiscal 2013, the fair value of the assets acquired and liabilities assumed are preliminary and may be adjusted as the Company obtains additional information, primarily related to adjustments for the true up of acquired net working capital in accordance with certain purchase agreements, and estimated values of certain net tangible assets and liabilities including tax balances, pending the completion of final studies and analyses. If there are adjustments made for these items, the fair value of intangible assets and goodwill could be impacted. Thus the provisional measurements of fair value are subject to change. Such changes could be significant. The Company expects to finalize the valuation of the net tangible and intangible assets as soon as practicable, but not later than one-year from the acquisition date.

NOTE 5. INVENTORIES

Inventories, net, consisted of the following:

As of (Dollars in thousands)	Third Quarter of 2013	Fiscal Year End 2012
Raw materials	$79,153	$89,016
Work-in-process	6,543	6,658
Finished goods	155,813	144,855
Total inventories, net	$241,509	$240,529

Deferred costs of sales for the short-term deferral of hardware and related products are included within finished goods and were $13.0 million as of the third quarter of fiscal 2013 and $16.2 million as of fiscal year end 2012.

NOTE 6 . SEGMENT INFORMATION

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

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

- Engineering and Construction — Consists of hardware and software solutions for a variety of applications including: survey; heavy civil and building construction; infrastructure; geospatial; railway; mining and utilities.
- Field Solutions — Consists of hardware and software solutions for applications including agriculture, mapping and geographic information systems (GIS), utilities, and energy distribution.
- Mobile Solutions — Consists of hardware and software solutions that enable end-users to monitor and manage their mobile work, mobile workers and mobile assets.
- Advanced Devices — The various operations that comprise this segment are aggregated on the basis that no single operation accounts for more than 10% of the Company’s total revenue, operating income and assets. This segment is comprised of the Component Technologies, Military and Advanced Systems, Applanix, Trimble Outdoors, and ThingMagic businesses.

The Company evaluates each of its segment’s performance and allocates resources based on segment operating income before income taxes and some corporate allocations. The Company and each of its segments employ consistent accounting policies.

The following table presents revenue, operating income, depreciation expense and identifiable assets for the four segments. Operating income is revenue less cost of sales and operating expense, excluding general corporate expense, amortization of purchased intangible assets, amortization of acquisition-related inventory step-up, acquisition costs and restructuring costs. The identifiable assets that the Company’s Chief Operating Decision Maker, its Chief Executive Officer, views by segment are accounts receivable, inventories and goodwill.

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	Reporting Segments				
	Engineering and Construction	Field Solutions	Mobile Solutions	Advanced Devices	Total
(Dollars in thousands)					
Third Quarter of Fiscal 2013					
Segment revenue	$310,611	$99,466	$113,570	$32,855	$556,502
Operating income	73,488	31,373	15,276	8,420	128,557
Depreciation expense	2,990	139	1,056	195	4,380
Third Quarter of Fiscal 2012					
Segment revenue	$287,244	$102,993	$83,830	$30,696	$504,763
Operating income	68,451	36,021	8,218	5,684	118,374
Depreciation expense	2,586	127	792	206	3,711
First Three Quarters of Fiscal 2013					
Segment revenue	$890,928	$362,811	$339,258	$95,909	$1,688,906
Operating income	183,301	134,271	42,284	21,419	381,275
Depreciation expense	8,838	426	3,393	582	13,239
First Three Quarters of Fiscal 2012					
Segment revenue	$820,304	$373,863	$243,615	$86,808	$1,524,590
Operating income	168,001	145,005	21,200	12,936	347,142
Depreciation expense	7,663	383	2,301	651	10,998
As of the Third Quarter of Fiscal 2013					
Accounts receivable	$198,499	$69,240	$71,949	$21,868	$361,556
Inventories	165,526	34,692	26,315	14,976	241,509
Goodwill	1,040,906	78,715	794,303	24,946	1,938,870
As of Fiscal Year End 2012					
Accounts receivable	$171,580	$71,465	$59,720	$20,712	$323,477
Inventories	148,241	44,738	30,598	16,952	240,529
Goodwill	958,103	68,684	763,386	25,526	1,815,699

A reconciliation of the Company’s consolidated segment operating income to consolidated income before income taxes is as follows:

	Third Quarter of		First Three Quarters of	
	2013	2012	2013	2012
(Dollars in thousands)				
Consolidated segment operating income	$128,557	$118,374	$381,275	$347,142
Unallocated corporate expense	(21,019)	(21,660)	(66,886)	(61,203)
Amortization of purchased intangible assets	(41,618)	(31,440)	(120,713)	(89,315)
Acquisition costs	(2,891)	(1,804)	(9,285)	(14,385)
Consolidated operating income	63,029	63,470	184,391	182,239
Non-operating income, net	483	3,352	2,181	8,201
Consolidated income before taxes	$63,512	$66,822	$186,572	$190,440

Unallocated corporate expense includes general corporate expense, amortization of acquisition-related inventory step-up and restructuring costs.

NOTE 7. DEBT, COMMITMENTS AND CONTINGENCIES

Debt consisted of the following:

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As of (Dollars in thousands)	Third Quarter of 2013	Fiscal Year End 2012
Credit Facilities:		
Term loan	$673,750	$700,000
Revolving credit facility	127,000	208,000
Promissory notes and other debt	8,314	3,158
Total debt	809,064	911,158
Less current portion of long-term debt	105,202	38,092
Non-current portion	$703,862	$873,066

Credit Facilities

On November 21, 2012, the Company entered into an amended and restated credit agreement with a group of lenders (the “2012 Credit Facility”). This credit facility provides for unsecured credit facilities in the aggregate principal amount of $1.4 billion, comprised of a five-year revolving loan facility of $700.0 million and a five-year $700.0 million term loan facility. Subject to the terms of the 2012 Credit Facility, the revolving loan facility and the term loan facility may be increased by $300.0 million in the aggregate. The Company also has two $75 million uncommitted revolving loan facilities (the “Uncommitted Facilities”), which are callable by the bank at any time and have no covenants. The interest rate is 0.9% to 1.00% plus either LIBOR or the bank’s cost of funds or as otherwise agreed upon by the bank and the Company.

As of the third quarter of fiscal 2013, total debt was comprised primarily of a term loan of $673.8 million and a revolving credit line of $65.0 million under the 2012 Credit Facility and a revolving credit line of $62.0 million under the Uncommitted Facilities. Of the total outstanding balance, $638.8 million of the term loan and the $65.0 million revolving credit line are classified as long-term in the Condensed Consolidated Balance Sheet.

The funds available under the 2012 Credit Facility may be used for general corporate purposes, the financing of certain acquisitions and the payment of transaction fees and expenses related to such acquisitions. Under the 2012 Credit Facility, the Company may borrow, repay and reborrow funds under the revolving loan facility until its maturity on November 21, 2017, at which time the revolving facility will terminate, and all outstanding loans, together with all accrued and unpaid interest, must be repaid. Amounts not borrowed under the revolving facility will be subject to a commitment fee, to be paid in arrears on the last day of each fiscal quarter, ranging from 0.15% to 0.35% per annum depending on the Company's leverage ratio as of the most recently ended fiscal quarter. The term loan will be repaid in quarterly installments, with the last quarterly payment to be made on September 29, 2017, with the remaining outstanding balance being due and payable at maturity on November 21, 2017. On an annualized basis, the amortization of the term loan is as follows: 5%, 5%, 10%, 10% and 70% for years one through five respectively. The term loan may be prepaid in whole or in part, subject to certain minimum thresholds, without penalty or premium. Amounts repaid or prepaid with respect to the term loan facility may not be reborrowed.

The Company may borrow funds under the 2012 Credit Facility in U.S. Dollars, Euros or in certain other agreed currencies, and borrowings will bear interest, at the Company’s option, at either: (i) a floating per annum base rate based on the administrative agent’s prime rate or other agreed-upon rate, depending on the currency borrowed, plus a margin of between 0.00% and 1.00%, depending on the Company's leverage ratio as of the most recently ended fiscal quarter, or (ii) a reserve-adjusted fixed per annum rate based on LIBOR, EURIBOR, or other agreed-upon rate, depending on the currency borrowed, plus a margin of between 1.00% and 2.00%, depending on the Company's leverage ratio as of the most recently ended fiscal quarter. Interest will be paid on the last day of each fiscal quarter with respect to borrowings bearing interest based on a floating rate, or on the last day of an interest period, but at least every three months, with respect to borrowings bearing interest at a fixed rate. The Company's obligations under the 2012 Credit Facility are guaranteed by several of the Company's domestic subsidiaries.

The 2012 Credit Facility contains various customary representations and warranties by the Company, which include customary use of materiality, material adverse effect and knowledge qualifiers. The 2012 Credit Facility also contains customary affirmative and negative 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 and make investments. Further, the 2012 Credit Facility contains financial covenants that require the maintenance of minimum interest coverage and maximum leverage ratios. Specifically, the Company must maintain as of the end of each fiscal quarter a ratio of (a) EBITDA (as defined in the 2012 Credit Facility) to (b) interest expenses for the most recently ended period of four fiscal quarters of not less than 3.00 to 1. The Company must also maintain, at the end of each fiscal quarter, a ratio of (x) total indebtedness to (y) EBITDA (as defined in the 2012 Credit Facility) for the most recently ended period of four fiscal quarters of not greater than 3 to 1; provided, that on

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the completion of a material acquisition, the Company may increase the ratio by 0.25 for the fiscal quarter during which such acquisition occurred and each of the three subsequent fiscal quarters.

The Company was in compliance with these restrictive covenants as of the third quarter of fiscal 2013.

The 2012 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 2012 Credit Facility, however that acceleration will be automatic in the case of bankruptcy and insolvency events of default.

The weighted average interest rate on the current portion of the long-term debt outstanding under the 2012 Credit Facility and Uncommitted Facilities was 1.32% and 1.96% at the end of the third quarter of fiscal 2013 and fiscal year end 2012, respectively. The interest rate on the non-current debt outstanding under the 2012 Credit Facility was 1.70% and 1.96% at the end of the third quarter of fiscal 2013 and fiscal year end 2012, respectively.

Promissory Notes and Other Debt

As of the third quarter of fiscal 2013 and fiscal year end 2012, the Company had promissory notes and other debt totaling approximately $8.3 million and $3.2 million, respectively, of which $0.1 million for both periods was classified as long-term in the Condensed Consolidated Balance Sheet.

Leases and Other Commitments

The estimated future minimum operating lease commitments as of the third quarter of fiscal 2013 are as follows (dollars in thousands):

2013 (Remaining)	$8,132
2014	24,049
2015	20,722
2016	14,165
2017	10,988
Thereafter	15,205
Total	$93,261

As of the third quarter of fiscal 2013, the Company had unconditional purchase obligations of approximately $109.6 million. These unconditional purchase obligations primarily represent open non-cancelable purchase orders for material purchases with the Company’s vendors. Purchase obligations exclude agreements that are cancelable without penalty.

NOTE 8. FAIR VALUE MEASUREMENTS

The Company determines fair value based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Where available, fair value is based on observable market prices or parameters. Where observable prices or inputs are not available, valuation models are applied. Hierarchical levels, defined by the guidance on fair value measurements are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, and are as follows:

Level I – Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities.

Level II – Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level III – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Fair Value on a Recurring Basis

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Assets and liabilities measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations.

	Fair Values as of the Third Quarter of Fiscal 2013				Fair Values as of Fiscal Year End 2012			
(Dollars in thousands)	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Assets								
Money market funds(1)	$2	$—	$—	$2	$2	$—	$—	$2
Deferred compensation plan assets (2)	15,746	—	—	15,746	12,875	—	—	12,875
Derivative assets (3)	—	750	—	750	—	343	—	343
Total	$15,748	$750	$—	$16,498	$12,877	$343	$—	$13,220
Liabilities								
Deferred compensation plan liabilities (2)	$15,746	$—	$—	$15,746	$12,875	$—	$—	$12,875
Derivative liabilities (3)	—	1,315	—	1,315	—	420	—	420
Contingent consideration liabilities (4)	—	—	899	899	—	—	2,235	2,235
Total	$15,746	$1,315	$899	$17,960	$12,875	$420	$2,235	$15,530

(1) The money market funds are highly liquid investments. The fair values are determined using observable quoted prices in active markets. Money market funds are included in Cash and cash equivalents on the Company’s Condensed Consolidated Balance Sheets.

(2) The Company maintains a self-directed, non-qualified deferred compensation plan for certain executives and other highly compensated employees. The plan assets and liabilities are invested in actively traded mutual funds and individual stocks valued using observable quoted prices in active markets. Deferred compensation plan assets and liabilities are included in Other non-current assets and Other non-current liabilities on the Company's Condensed Consolidated Balance Sheets.

(3) Derivative assets and liabilities primarily represent forward currency exchange contracts. The Company typically enters into these contracts to minimize the short-term impact of foreign currency exchange rates on certain trade and inter-company receivables and payables. Derivative assets and liabilities are included in Other current assets and Other current liabilities on the Company's Condensed Consolidated Balance Sheets.

(4) Contingent consideration liabilities represents arrangements to pay the former owners of certain companies the Company acquired. The undiscounted maximum payment under the arrangements is $6.6 million at the end of the third quarter of fiscal 2013, based on estimated future revenues or gross margins. Contingent consideration liabilities are included in Other current liabilities and Other non-current liabilities on the Company's Condensed Consolidated Balance Sheets.

Additional Fair Value Information

The following table provides additional fair value information relating to the Company’s financial instruments outstanding:

	Carrying Amount	Fair Value	Carrying Amount	Fair Value
As of	Third Quarter of Fiscal 2013		Fiscal Year End 2012	
(Dollars in thousands)				
Assets:				
Cash and cash equivalents	$115,257	$115,257	$157,771	$157,771

Restricted cash	6,696	6,696	—	—
Forward foreign currency exchange contracts	750	750	343	343
Liabilities:				
Credit facilities	$800,750	$800,750	$908,000	$908,000
Forward foreign currency exchange contracts	1,315	1,315	420	420
Promissory notes and other debt	8,314	8,314	3,158	3,158

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The restricted cash balance as of the third quarter of fiscal 2013 represents funds placed in restricted accounts and unavailable for operating activities. The fair value of the bank borrowings and promissory notes has been calculated using an estimate of the interest rate the Company would have had to pay on the issuance of notes with a similar maturity and discounting the cash flows at that rate. The fair values do not give an indication of the amount that the Company would currently have to pay to extinguish any of this debt.

NOTE 9. PRODUCT WARRANTIES

The Company accrues for warranty costs as part of its cost of sales based on associated material product costs, technical support labor costs and costs incurred by third parties performing work on the Company's behalf. The Company's expected future costs are primarily estimated based upon historical trends in the volume of product returns within the warranty period and the costs to repair or replace the equipment. The products sold are generally covered by a warranty for periods ranging from 12 months to 48 months.

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

Changes in the Company's product warranty liability during the first three quarters of fiscal 2013 are as follows:

(Dollars in thousands)	
Balance as of fiscal year end 2012	$17,066
Acquired warranties	83
Accruals for warranties issued	15,489
Changes in estimates	402
Warranty settlements (in cash or in kind)	(15,585)
Balance as of the third quarter of fiscal 2013	$17,455

NOTE 10. EARNINGS PER SHARE

Basic earnings per share is computed by dividing Net income attributable to Trimble Navigation Ltd. by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing Net income attributable to Trimble Navigation Ltd. by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, shares to be purchased under the Company's employee stock purchase plan and unvested restricted stock units. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities.

The following table shows the computation of basic and diluted earnings per share:

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	Third Quarter of		First Three Quarters of	
	2013	2012	2013	2012
(Dollars in thousands, except per share amounts)				
Numerator:				
Net income attributable to Trimble Navigation Ltd.	$54,469	$53,364	$158,858	$157,874
Denominator:				
Weighted average number of common shares used in basic earnings per share	257,037	251,742	256,135	250,404
Effect of dilutive securities	4,100	5,016	4,529	5,884
Weighted average number of common shares and dilutive potential common shares used in diluted earnings per share	261,137	256,758	260,664	256,288
Basic earnings per share	$0.21	$0.21	$0.62	$0.63
Diluted earnings per share	$0.21	$0.21	$0.61	$0.62

For the third quarter of fiscal 2013 and 2012, the Company excluded 3.5 million and 5.2 million shares of outstanding stock options, respectively, from the calculation of diluted earnings per share because their effect would have been antidilutive. For the first three quarters of fiscal 2013 and 2012, the Company excluded 3.0 million and 4.6 million shares of outstanding stock options, respectively, from the calculation of diluted earnings per share because their effect would have been antidilutive.

NOTE 11. INCOME TAXES

In the third quarter of fiscal 2013, the Company’s effective income tax rate was 14% as compared to 19% in the corresponding period in 2012, primarily due to differences in the geographic mix of pretax income and the reinstatement of the federal R&D credit. In the first three quarters of fiscal 2013, the Company’s effective income tax rate was 15% as compared to 18% in the corresponding period in 2012 due to the same reasons mentioned above.

The Company's effective tax rates for the third quarter of fiscal years 2013 and 2012 are lower than the U.S. federal statutory rate of 35% primarily due to the reinstatement of the federal R&D credit in 2013 and favorable tax rates associated with certain earnings from operations in lower-tax jurisdictions. The Company has not provided U.S. taxes for all of such earnings due to the indefinite reinvestment of some of those earnings outside the U.S.

The Company and its subsidiaries are subject to U.S. federal and state, and foreign income tax. The Company is currently in different stages of multiple year examinations by the Internal Revenue Service as well as various state and foreign taxing authorities. Although timing of the resolution of audits is highly uncertain, the Company does not believe it is reasonably possible that the unrecognized tax benefits as of September 27, 2013 will materially change in the next twelve months.

The unrecognized tax benefits of $44.2 million and $35.2 million as of the third quarter of fiscal 2013 and fiscal year end 2012, respectively, if recognized, would favorably affect the effective income tax rate in future periods. Unrecognized tax benefits are recorded in Other non-current liabilities and in the deferred tax accounts in the accompanying Condensed Consolidated Balance Sheets.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company's unrecognized tax benefit liabilities include interest and penalties as of the third quarter of fiscal 2013 and fiscal year end 2012, of $3.5 million and $2.9 million, respectively, which were recorded in Other non-current liabilities in the accompanying Condensed Consolidated Balance Sheets.

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This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the “safe harbor” created by those sections. Actual results could differ materially from those indicated in the forward-looking statements due to a number of factors including, but not limited to, the risk factors discussed in “Risk Factors” below and elsewhere in this report as well as in the Company’s Annual Report on Form 10-K for fiscal year 2012 and other reports and documents that the Company files from time to time with the Securities and Exchange Commission. The Company has attempted to identify forward-looking statements in this report by placing an asterisk (*) before paragraphs. Discussions containing such forward-looking statements may be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” below. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “should,” “could,” “predicts,” “potential,” “continue,” “exp “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” and similar expressions. These forward-looking statements made as of the date of this Quarterly Report on Form 10-Q, and the Company disclaims any obligation to update these statements or to explain the reasons why actual results may differ.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U. S. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expense, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to product returns, doubtful accounts, inventories, investments, intangible assets, stock-based compensation, income taxes, warranty obligations, restructuring costs, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the amount and timing of revenue and expense and the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no material changes to the Company’s significant accounting polices during the first three quarters of fiscal 2013 from those disclosed in the Company’s 2012 Form 10-K.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued a new accounting standard that will generally require the presentation of certain unrecognized tax benefits as reductions to deferred tax assets rather than as liabilities in the Consolidated Condensed Balance Sheets when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Trimble will be required to adopt this new standard on a prospective basis in the first quarter of fiscal 2014; however, early adoption is permitted as is a retrospective application. We will reflect the impact of these amendments beginning in the first quarter of fiscal 2014. We do not anticipate a material impact on our condensed consolidated financial statements as a result of this change.

EXECUTIVE LEVEL OVERVIEW

Trimble's focus is on integrating its broad technological and application capabilities to create system-level solutions that transform how work is done within the industries we serve, enhancing productivity, accuracy, safety and regulatory compliance for our customers. The majority of our markets are end-user markets, including engineering and construction firms, surveyors, farmers, governmental organizations, energy and utility companies and organizations that must manage fleets of mobile workers and assets. We also provide components to original equipment manufacturers to incorporate into their products. In the end-user markets, we provide stand-alone systems which may consist of software, hardware or some combination of the two, as well as integrated enterprise or workflow solutions which address the entire work process. Some examples of our solutions include products that automate and simplify the process of surveying land, products that automate the control, management and utilization of equipment such as tractors and bulldozers, products for engineering or building design, construction and operations management, products that enable a company to manage its mobile workforce and assets, and products that allow municipalities or

utilities to manage their fixed assets and operations. 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.

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 of how our broad based technological capabilities can be deployed and integrated to enable that end-user to work faster, more efficiently, more accurately and more safely. We use this knowledge to create highly innovative solutions that change the way work is done by the end-user. With the exception of our Mobile Solutions

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

We continue to execute our strategy with a series of actions across new and existing markets:

Reinforcing our position in new and existing markets

In our Engineering and Construction Segment, the Trimble Connected Site portfolio of solutions expanded during the quarter with the release of TirePulse Tire Monitoring System which, combined with VisionLink version 2.8, provides automatic tire pressure and temperature monitoring directly to the fleet manager via a wireless communications link, enhancing safety, productivity and reduced downtime costs. The Trimble LOADRITE X2350 Payload Management System for excavators provides benefits to the contractor by enabling trucks to be loaded with the correct amount of material at the point of loading by the excavator, reducing waste due to under-loaded trucks, or potential fines and safety hazards due to over-loaded trucks. The Trimble portfolio of solutions across the Design-Build-Operate (DBO) lifecycle for the construction, maintenance and operation of buildings was further enhanced during the third quarter with the release of several software products, including WinEst 15.0, Modelogix 3.2, Prolog 9.6.1, Proliance 5.5 and Vico Office 4.2. Together, these products provide for streamlined data integration and data flow across work processes that span planning, tracking, and the measurement of cost and work parameters before, during and after construction. The release of Trimble AutoBid Mechanical 2013 v2 product to improve bid accuracy to the piping and plumbing contracting industry incorporates the Tra-Ser product and pricing service from our second quarter acquisition of Trade Service.

The Trimble MX2 mobile spatial imaging system incorporates precision GNSS and inertial positioning with precision 3D laser scanning and digital imaging into a vehicle-mounted 3D mobile mapping system capable of producing accurate 3D models of cities, roads, utility assets, mine sites, environmentally sensitive locations and other features, directly from a moving vehicle. The release of software products eCognition 8.9 and Trident 6.0 provide users of these 3D mobile mapping models new capabilities in rapid transformation of data into geospatial intelligence and in automated information extraction, allowing customers to reduce project time and cost through automation. The launch of the new Trimble Tablet and Juno T41 products provide updates to the portfolio of rugged outdoor computing products, designed to offer endurance in extreme outdoor conditions combined with powerful computing, communications and state-of-the-art user interface capabilities.

In our Field Solutions Segment, we acquired the assets of RainWave, LLC and Hydro-Engineering Solutions, LLC, which will help extend the monitoring and reporting capabilities of the Trimble Connected Farm™ solution, while also enhancing our expertise in water management. The acquisition of RainWave's assets further strengthens the Connected Farm solution by adding a rainfall monitoring and reporting tool, accessible through the Connected Farm dashboard, enabling farmers to make informed decisions based on the latest data. Through the acquisition of Hydro-Engineering's services, we can provide stronger watershed analysis to help farmers create better water management plans for their fields. Our acquisition of the assets of privately-held IQ Irrigation of Christchurch, New Zealand provides a hardware and software solution for controlling linear and pivot irrigation systems, enabling farmers to apply the right amount of water in the right place based on crop requirements and optimize water usage. During the quarter, we also launched the Connected Farm dashboard which provides one centralized location for farmers to view key information impacting their operations, enabling them to make better daily decisions based on the latest data. The Connected Farm Fleet application enables managers in agricultural operations to track the current and historical location of vehicles, analyze vehicle and work status and receive other alerts or reports, all from a mobile device such as a smartphone or tablet. The application is made available on the Apple App Store© and Google Play™ Store for iOS and Android devices.

Our Field Service Management Division announced the release of our next-generation Work Management solution, a cloud-based software to enhance the productivity of mobile workforces through intelligent scheduling tools and state-of-the-art performance analytics. Our commercial relationship with DriveWyze will make available hands-free delivery of a weigh station bypass service to PeopleNet customers, enabling improved efficiency and safety. Another commercial partnering arrangement with SafeKey enables PeopleNet to offer asset protection and driver well-being capabilities, helping fleet owners to reduce the risk of cargo or vehicle theft, while also enhancing the safety of drivers. Integration with McLeod Software's LoadMaster LTL or less-than-truckload solutions will streamline processes for customers using both the PeopleNet and LoadMaster LTL solutions.

Bringing existing technology to new markets

During the third quarter, we announced an agreement with Rajant Corporation, under which we will offer Rajant's wireless networking solutions as part of the Trimble mining portfolio. The solution integrates with existing Trimble technologies and solutions for mine productivity and safety. The product is initially offered through Trimble's subsidiary in Chile, with work in progress to offer the product through Trimble's partner network in Central and South America, Australia, Indonesia and Papua New Guinea. Our continued execution of our global SITECH distribution strategy resulted in the establishment of new SITECH Technology Dealers in Peru and the Baltic states of Estonia, Latvia and Lithuania, as well as new SITECH locations in the United States in Idaho, Eastern Oregon, Eastern Washington and Western Montana.

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Representing both geographic expansion and expansion into new applications, we announced during the quarter that Eco2 Ltd of the U.K. will be implementing a forestry bioenergy solution from Trimble company Cengea, This Cengea solution will be used to manage Eco2's supply chain operations for its state-of-the-art, straw-fired renewable energy plant in Lincolnshire in England. PeopleNet also announced during the quarter that it will be the first telematics provider to support the use of vehicles using Compressed Natural Gas (CNG) and Liquid Natural Gas (LNG) fuels, providing reports and analytics to provide operators the ability to compare fuel efficiency across a mixed-vehicle fleet, to accurately determine the return on investment (ROI) of moving from diesel to natural gas and to preserve the integrity of driver incentive programs based on performance.

RECENT BUSINESS DEVELOPMENTS

The following companies or business assets were acquired during the twelve months ended September 27, 2013 and are combined in our results of operations since the date of acquisition:

IQ Irrigation Assets

On August 30, 2013, we acquired the assets of privately-held IQ Irrigation of Christchurch, New Zealand. IQ Irrigation is a provider of a hardware and software solution for controlling linear and pivot irrigation systems. IQ Irrigation' performance is reported under our Field Solutions business segment.

RainWave and Hydro-Engineering

On August 23, 2013, we acquired the assets of privately-held RainWave, LLC and Hydro-Engineering Solutions, LLC of Auburn, Alabama. RainWave provides precipitation monitoring services for agribusinesses, construction and engineering, government and consumer industries. Hydro-Engineering Solutions is a civil engineering company that specializes in hydrology and hydraulics. RainWave and Hydro-Engineering' performance is reported under our Field Solutions business segment.

Actronic Holdings Limited

On June 5, 2013, we acquired privately-held Actronic Holdings Limited of Auckland, New Zealand. Actronic Technologies is a provider of weighing technology and payload information systems for construction, aggregates, mining and waste markets. Actronic Holdings' performance is reported under our Engineering and Construction business segment.

Trade Service Company, LLC

On May 31, 2013, we acquired privately-held Trade Service Company, LLC based in San Diego, California. Trade Service is a provider in content acquisition, aggregation, management, publishing and distribution of product and pricing information used by manufacturers, distributors and contractors in the Architecture, Engineering, and Construction (AEC) industry. Trade Service's performance is reported under our Engineering and Construction business segment.

Penmap Software

On January 11, 2013, we acquired a suite of software solutions from Penmap.com Ltd. of Bradford, United Kingdom. Penmap.com's solutions include both office and field data collection software specifically designed for the cadastral and surveying markets. Penmap Software's performance is reported under our Engineering and Construction business segment.

ALK Technologies

On December 31, 2012, we acquired privately-held ALK Technologies Inc. of of Princeton, New Jersey, a provider of routing, mapping, mileage and navigation technologies. ALK's performance is reported under our Mobile Solutions business segment.

Vico Software, Inc.

On October 31, 2012, we acquired the assets of privately-held Vico Software, Inc. (Vico) of Boulder, Colorado, a provider of 5D virtual construction software and consulting services. The Vico business performance is reported under our Engineering and Construction business segment.

Refraction Technology, Inc.

On October 4, 2012, we acquired the assets of privately-held Refraction Technology, Inc. (REF TEK) of Plano, Texas, a provider of seismic sensors and high-frequency data logging systems. The REF TEK business performance is reported under our Engineering and Construction business segment.

TMW Systems, Inc.

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On October 2, 2012, we acquired privately-held TMW Systems Holding LLC, including its operating subsidiary, TMW Systems, Inc. (TMW) of Beachwood, Ohio, a provider of enterprise software to transportation and logistics companies. TMW's performance is reported under our Mobile Solutions business segment.

Seasonality of Business

* Our individual segment revenue may be affected by seasonal buying patterns. Historically, the second fiscal quarter has been the strongest quarter for the Company driven by the construction buying season. However, as a result of recent acquisitions, we may experience less seasonality in the future.

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.

	Third Quarter of		First Three Quarters of	
	2013	2012	2013	2012
(Dollars in thousands)				
Revenue:				
Product	$401,565	$386,902	$1,240,232	$1,187,638
Service	85,521	64,237	251,628	185,262
Subscription	69,416	53,624	197,046	151,690
Total revenue	556,502	504,763	1,688,906	1,524,590
Gross margin	$295,053	$262,868	$884,368	$789,713
Gross margin %	53.0 %	52.1 %	52.4 %	51.8 %
Operating income	$63,029	$63,470	$184,391	$182,239
Operating income %	11.3 %	12.6 %	10.9 %	12.0 %

Revenue

In the third quarter of fiscal 2013, total revenue increased by $51.7 million or 10%, as compared to the third quarter of fiscal 2012. Of this increase, product revenue increased $14.7 million, or 4%, service revenue increased $21.3 million or 33%, and subscription revenue increased $15.8 million or 29%. In the first three quarters of fiscal 2013, total revenue increased by $164.3 million or 11%, as compared to the first three quarters of fiscal 2012. Of this increase, product revenue increased $52.6 million or 4%, service revenue increased $66.4 million or 36%, and subscription revenue increased $45.4 million or 30%.

The product, service, and subscription revenue increases were driven primarily by growth across Engineering and Construction and Mobile Solutions, which included organic growth as well as the impact of the TMW acquisition which was not applicable in the prior period. The product revenue growth was partially offset by a decrease in Field Solutions revenue primarily due to softness in GIS markets. We consider organic growth to include all revenue except for revenue associated with acquisitions made within the last four quarters.

On a segment basis, Engineering and Construction revenue for the third quarter of fiscal 2013 increased $23.4 million, or 8%, Mobile Solutions increased $29.7 million or 35%, Advanced Devices increased $2.2 million or 7%, and Field Solutions decreased $3.5 million or 3%, as compared to the third quarter of fiscal 2012. Engineering and Construction revenue for the first three quarters of fiscal 2013 increased $70.6 million or 9%, Mobile Solutions increased $95.6 million or 39%, Advanced Devices increased $9.1 million or 10%, and Field Solutions decreased $11.1 million or 3%, as compared to the corresponding period of fiscal 2012.

Revenue growth within Engineering and Construction was driven by growth due to global sales of building construction, heavy highway and survey products, in both the U.S. and Europe, including Russia. Mobile Solutions increased due to the acquisition of TMW which was not applicable in the prior period, as well as organic growth in the transportation and logistics market. Advanced Devices revenue increased primarily due to stronger sales of RFID product solutions. Field Solutions revenue decreased slightly due to a decline in GIS markets which continued to be impacted by the pullback of government funding sources, particularly in the U.S.

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Gross Margin

Gross margin varies due to a number of factors including product mix, pricing, distribution channel, production volumes and foreign currency translations.

Gross margin increased by $32.2 million for the third quarter of fiscal 2013, as compared to the third quarter of fiscal 2012, and increased by $94.7 million for the first three quarters of fiscal 2013, as compared to the first three quarters of fiscal 2012. The increase was primarily due to increased sales in Engineering and Construction and Mobile Solutions. Gross margin as a percentage of total revenue for the third quarter of fiscal 2013 was 53.0%, as compared to 52.1% for the third quarter of fiscal 2012, and was 52.4% for the first three quarters of fiscal 2013, as compared to 51.8% for the first three quarters of fiscal 2012. The increase was primarily due to an increase in sales of higher margin products, primarily software, maintenance, and subscription revenue, due to organic growth as well as the TMW acquisition, which were partially offset by higher amortization of purchased intangible assets.

Operating Income

Operating income decreased by $0.4 million for the third quarter of fiscal 2013, as compared to the third quarter of fiscal 2012, and increased by $2.2 million for the first three quarters of fiscal 2013, as compared to the first three quarters of fiscal 2012. Operating income as a percentage of total revenue was 11.3% for the third quarter of fiscal 2013, as compared to 12.6% for the third quarter of fiscal 2012, and was 10.9% for the first three quarters of fiscal 2013, as compared to 12.0% for the first three quarters of fiscal 2012.

The slight decrease in operating income in the third quarter was primarily driven by an increase in operating expenses, including higher amortization of purchase intangible assets, largely offset by higher revenue and gross margin expansion. The increase in operating income in the first three quarters was primarily driven by higher revenue and gross margin expansion, partially offset by higher amortization of purchased intangible assets. The decrease in operating income percentage was primarily driven by higher amortization of purchased intangible assets, offset by higher revenue and product mix, primarily due to higher margin software and subscription revenue.

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 equals net revenue less cost of sales and operating expense, excluding general corporate expense, amortization of purchased intangible assets, amortization of inventory step-up charges, acquisition costs and restructuring costs. Operating leverage is defined as an increase in operating income as a percentage of the increase in revenue.

The following table is a summary of revenue and operating income by segment:

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	Third Quarter of				First Three Quarters of			
	2013		2012		2013		2012	
(Dollars in thousands)								
Engineering and Construction								
Revenue	$310,611		$287,244		$890,928		$820,304	
Segment revenue as a percent of total revenue	56	%	57	%	53	%	54	%
Operating income	$73,488		$68,451		$183,301		$168,001	
Operating income as a percent of segment revenue	24	%	24	%	21	%	20	%
Field Solutions								
Revenue	$99,466		$102,993		$362,811		$373,863	
Segment revenue as a percent of total revenue	18	%	20	%	21	%	24	%
Operating income	$31,373		$36,021		$134,271		$145,005	
Operating income as a percent of segment revenue	32	%	35	%	37	%	39	%
Mobile Solutions								
Revenue	$113,570		$83,830		$339,258		$243,615	
Segment revenue as a percent of total revenue	20	%	17	%	20	%	16	%
Operating income	$15,276		8,218		$42,284		21,200	
Operating income as a percent of segment revenue	13	%	10	%	12	%	9	%
Advanced Devices								
Revenue	$32,855		$30,696		$95,909		$86,808	
Segment revenue as a percent of total revenue	6	%	6	%	6	%	6	%
Operating income	$8,420		$5,684		$21,419		$12,936	
Operating income as a percent of segment revenue	26	%	19	%	22	%	15	%

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

	Third Quarter of		First Three Quarters of	
	2013	2012	2013	2012
(Dollars in thousands)				
Consolidated segment operating income	$128,557	$118,374	$381,275	$347,142
Unallocated corporate expense	(21,019)	(21,660)	(66,886)	(61,203)
Amortization of purchased intangible assets	(41,618)	(31,440)	(120,713)	(89,315)
Acquisition costs	(2,891)	(1,804)	(9,285)	(14,385)
Consolidated operating income	63,029	63,470	184,391	182,239
Non-operating income, net	483	3,352	2,181	8,201
Consolidated income before taxes	$63,512	$66,822	$186,572	$190,440

Unallocated corporate expense includes general corporate expense, amortization of inventory step-up charges and restructuring costs.

Engineering and Construction

Engineering and Construction revenue increased by $23.4 million or 8% and $70.6 million or 9% for the third quarter and the first three quarters of fiscal 2013, respectively, as compared to the corresponding periods in fiscal 2012. Segment operating income increased $5.0 million or 7% and $15.3 million or 9% for the third quarter and the first three quarters of fiscal 2013, as compared to the corresponding periods in fiscal 2012.

Revenue growth for the third quarter and the first three quarters of fiscal 2013 was driven by acquisition revenue as well as continued organic growth due to global sales of building construction, heavy highway and survey products, primarily in the U.S. and Europe, including Russia. Although negatively impacted by U.S. budgetary constraints, continued improvements in the residential and commercial construction market, acquisitions, and new product

introductions, including revived growth in Survey instruments due to an expanded product portfolio, led to growth in North America. Additionally, building construction and heavy

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highway sales were up in Europe. Segment operating income increased primarily due to higher revenue and product mix, including higher software and subscription revenue.

Field Solutions

Field Solutions revenue decreased by $3.5 million or 3% and $11.1 million or 3% for the third quarter and the first three quarters of fiscal 2013, respectively, as compared to the corresponding periods in fiscal 2012. Segment operating income decreased $4.6 million or 13% and $10.7 million or 7% for the third quarter and the first three quarters of fiscal 2013, as compared to the corresponding periods in fiscal 2012.

Field Solution revenue decreased for the third quarter and first three quarters of fiscal 2013, primarily due to a decline in GIS markets which continued to be impacted by the pullback of government funding sources, particularly in the U.S. Agriculture was up over the prior year. Weather conditions in the first half of the year, particularly in the U.S. resulted in slower than anticipated agriculture sales, however sales were up in the third quarter, with particular growth in Europe. Segment operating income decreased due to reduced operating leverage in GIS.

Mobile Solutions

Mobile Solutions revenue increased by $29.7 million or 35% and $95.6 million or 39% for the third quarter and the first three quarters of fiscal 2013, respectively, as compared to the corresponding periods in fiscal 2012. Segment operating income increased by $7.1 million or 86% and $21.1 million or 99% for the third quarter and the first three quarters of fiscal 2013, as compared to the corresponding periods in fiscal 2012.

Mobile Solutions revenue increased for the third quarter and the first three quarters of fiscal 2013, primarily due to the acquisition of TMW which was not applicable in the prior period, as well as continued organic growth in the transportation and logistics market. The majority of the sales are in the U.S. Operating income increased due to increased revenue and product mix, including higher software, maintenance and subscription revenue.

Advanced Devices

Advanced Devices revenue increased by $2.2 million or 7% and $9.1 million or 10% for the third quarter and the first three quarters of fiscal 2013, respectively, as compared to the corresponding periods in fiscal 2012. Segment operating income increased by $2.7 million or 48% and $8.5 million or 66% for the third quarter and the first three quarters of fiscal 2013, as compared to the corresponding periods in fiscal 2012.

The increase in revenue and operating income for the third quarter and the first three quarters of fiscal 2013 was due to increased sales of high margin RFID solutions.

Research and Development, Sales and Marketing and General and Administrative Expense

Research and development (R&D), sales and marketing (S&M) and general and administrative (G&A) expense are summarized in the following table:

	Third Quarter of				First Three Quarters of			
	2013		2012		2013		2012	
(Dollars in thousands)								
Research and development	71,622		61,181		221,785		185,721	
Percentage of revenue	13	%	12	%	13	%	12	%
Sales and marketing	85,507		76,481		254,437		230,094	
Percentage of revenue	15	%	15	%	15	%	15	%
General and administrative	53,648		45,723		158,378		142,595	
Percentage of revenue	10	%	9	%	10	%	10	%
Total	210,777		183,385		634,600		558,410	
Percentage of revenue	38	%	36	%	38	%	37	%

Overall, R&D, S&M and G&A expense increased by approximately $27.4 million and $76.2 million for the third quarter and the first three quarters of fiscal 2013, as compared to the corresponding periods in fiscal 2012.

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Research and development expense increased by $10.4 million and $36.1 million for the third quarter and the first three quarters of fiscal 2013, respectively, as compared to the corresponding periods of fiscal 2012. Research and development spending overall was at approximately 13% of revenue in both the third quarter and the first three quarters of fiscal 2013, as compared to 12% of revenue in the corresponding periods of fiscal 2012. The cost of software developed for external sale subsequent to reaching technical feasibility was not considered material and was expensed as incurred.

The increase in R&D expense in the third quarter of fiscal 2013, as compared to the corresponding period of fiscal 2012 was primarily due to the inclusion of expense of $8.9 million from acquisitions not applicable in the prior corresponding period, a $1.2 million increase in compensation related expense due to headcount increases, a $0.5 million increase due to unfavorable foreign currency exchange rates, partially offset by $0.2 million decrease in other expense.

The increase in R&D expense in the first three quarters of fiscal 2013, as compared to the corresponding period in fiscal 2012 was primarily due to the inclusion of expense of $27.9 million from acquisitions not applicable in the prior corresponding period, a $6.2 million increase in compensation related expense, a $1.2 million increase due to unfavorable foreign currency exchange rates and a $0.8 million increase in other expense.

* We believe that the development and introduction of new products are critical to our future success and we expect to continue active development of new products.

Sales and marketing expense increased by $9.0 million and $24.3 million for the third quarter and the first three quarters of fiscal 2013, respectively, as compared to the corresponding periods of fiscal 2012. Sales and marketing spending overall was at approximately 15% of revenue in both the third quarter and the first three quarters of fiscal 2013 and 2012.

The increase in Sales and marketing expense in the third quarter of fiscal 2013, as compared to the corresponding period of fiscal 2012 was primarily due to the inclusion of expense of $7.3 million from acquisitions not applicable in the prior period and a $1.0 million increase in compensation related expense, a $0.4 million increase due to unfavorable foreign currency exchange rates and a $0.3 million increase in other expense.

The increase in Sales and marketing expense in the first three quarters of fiscal 2013, as compared to the corresponding period in fiscal 2012 was primarily due to the inclusion of expense of $21.2 million from acquisitions not applicable in the prior corresponding period, a $1.9 million increase in compensation related expense, and a $0.7 million increase due to unfavorable foreign currency exchange rates and a $0.5 million increase in other expense.

* 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 develop new markets for our products.

General and administrative expense increased by $7.9 million and $15.8 million for the third quarter and the first three quarters of fiscal 2013, respectively, as compared to the corresponding periods of fiscal 2012. General and administrative spending overall was at approximately 10% of revenue in both the third quarter and the first three quarters of fiscal 2013, as compared to 9% of revenue in the third quarter of fiscal 2012 and 10% of revenue in the first three quarters of fiscal 2012.

The increase in G&A expenses in the third quarter of fiscal 2013, as compared to the third quarter of fiscal 2012 was primarily due to the inclusion of expense of $6.9 million from acquisitions not applicable in the third quarter of fiscal 2012, a $1.1 million increase in merger and acquisition costs and a $0.9 million increase in bad debt expense, partially offset by $1.0 million decrease in other expense.

The increase in G&A expenses in the first three quarters of fiscal 2013, as compared to the corresponding period in fiscal 2012 was primarily due to the inclusion of expense of $20.4 million from acquisitions not applicable in the prior corresponding period, a $0.1 million increase due to unfavorable foreign currency exchange rates, partially offset by a decrease of $3.5 million in merger and acquisition costs, a $0.6 million decrease in compensation related expense, a $0.3 million decrease in bad debt expense and a $0.3 million decrease in other expense.

Amortization of Purchased Intangible Assets

Amortization of purchased intangible assets was $41.6 million in the third quarter of fiscal 2013, as compared to $31.4 million in the third quarter of fiscal 2012. Of the total $41.6 million in the third quarter of fiscal 2013, $21.2 million is presented as a separate line within Operating expense and $20.4 million is presented as a separate line within Cost of

sales on our Condensed Consolidated Statements of Income. The increase was due to acquisitions not included in the third quarter of fiscal 2012. As of the third quarter of fiscal 2013, future amortization of intangible assets is expected to be $41.6 million during the remaining one quarter of fiscal 2013, $144.2 million during 2014, $132.0 million during 2015, $112.5 million during 2016, $90.6 million during 2017 and $100.8 million thereafter.

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Non-operating Income, Net

The components of non-operating income, net, were as follows:

	Third Quarter of		First Three Quarters of	
	2013	2012	2013	2012
(Dollars in thousands)				
Interest expense, net	(4,122)	(3,925)	(13,448)	(11,561)
Foreign currency transaction gain (loss)	(157)	174	(1,126)	(1,843)
Income from equity method investments, net	4,494	6,453	15,908	19,708
Other income, net	268	650	847	1,897
Total non-operating income, net	$483	$3,352	$2,181	$8,201

Non-operating income, net decrease $2.9 million for the third quarter and decreased $6.0 million for the first three quarters of fiscal 2013, respectively, as compared to the corresponding periods in fiscal 2012. The decrease for the third quarter of fiscal 2013 was primarily due to lower profitability from joint ventures, a decrease in other income resulting from fair value adjustments to earn-out liabilities as well as foreign currency fluctuations associated with hedging. The decrease for the first three quarters of fiscal 2013 was primarily due to lower profitability from the CTCT joint venture, an increase in interest expense from an increase in debt associated with acquisitions, a decrease in other income resulting from fair value adjustments to earn-out liabilities as well as foreign currency fluctuations associated with hedging.

Income Tax Provision

Our effective income tax rate for the third quarter of fiscal 2013 was 14%, as compared to 19% in the corresponding period in 2012, primarily due to differences in the geographic mix of pretax income and the reinstatement of the federal R&D credit. In the first three quarters of fiscal 2013, our effective income tax rate was 15% as compared to 18% in the corresponding period in 2012 due to the same reasons mentioned above.

Our effective tax rates for the third quarter of fiscal years 2013 and 2012 are lower than the U.S. federal statutory rate of 35% primarily due to the reinstatement of the federal R&D credit in 2013 and favorable tax rates associated with certain earnings from operations in lower-tax jurisdictions. We have not provided U.S. taxes for all of such earnings due to the indefinite reinvestment of some of those earnings outside the U.S.

OFF-BALANCE SHEET FINANCINGS AND LIABILITIES

Other than lease commitments incurred in the normal course of business, 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 Condensed 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 our products, we indemnify other parties, including customers, lessors and parties to other transactions with us, 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 our officers and directors, and our bylaws contain similar indemnification obligations to our agents. It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under these agreements were not material and no liabilities have been recorded for these obligations on the Condensed Consolidated Balance Sheets as of the third quarter of fiscal 2013 and fiscal year end 2012.

LIQUIDITY AND CAPITAL RESOURCES

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As of (Dollars in thousands)	Third Quarter of 2013	Fiscal Year End 2012
Cash and cash equivalents	$115,257	$157,771
Total debt	809,064	911,158

	First Three Quarters of 2013	2012
(Dollars in thousands)		
Cash provided by operating activities	$278,408	$243,894
Cash used in investing activities	(256,408)	(387,962)
Cash provided by (used in) financing activities	(62,395)	131,309
Effect of exchange rate changes on cash and cash equivalents	(2,119)	(22)
Net decrease in cash and cash equivalents	$(42,514)	$(12,781)

Cash and Cash Equivalents

As of the third quarter of fiscal 2013, cash and cash equivalents totaled $115.3 million as compared to $157.8 million as of fiscal year end 2012. Debt was $809.1 million as of the third quarter of fiscal 2013, as compared to $911.2 million as of fiscal year end 2012.

* 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 borrowings under our 2012 Credit Facility as described below under the heading “Debt”, will be sufficient to meet our anticipated operating cash needs, debt service, planned capital expenditures, and stock purchases under the stock repurchase program for at least the next twelve months.

* We anticipate that planned capital expenditures primarily for an upgrade of our Oracle ERP system, as well as 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 $278.4 million for the first three quarters of fiscal 2013, as compared to $243.9 million for the first three quarters of fiscal 2012. The increase of $34.5 million was primarily driven by an increase in net income before non-cash depreciation and amortization and an increase in deferred revenue, partially offset by an increase in accounts receivable, and a decrease in accounts payable.

Investing Activities

Cash used in investing activities was $256.4 million for the first three quarters of fiscal 2013, as compared to $388.0 million for the first three quarters of fiscal 2012. The decrease of $131.6 million was due to lower cash requirements for business acquisitions.

Financing Activities

Cash used by financing activities was $62.4 million for the first three quarters of fiscal 2013, as compared to cash provided of $131.3 million for the first three quarters of fiscal 2012. The decrease of $193.7 million was primarily due to a decrease in proceeds from credit facilities, net of repayments, for business acquisitions.

Accounts Receivable and Inventory Metrics

As of	Third Quarter of 2013	Fiscal Year End 2012
Accounts receivable days sales outstanding	59	57
Inventory turns per year	4.1	4.1

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Accounts receivable days sales outstanding were 59 days as of the end of the third quarter of fiscal 2013, as compared to 57 days as of the end of fiscal 2012. The increase in DSO was primarily due to non-linearity of sales within the quarter. Accounts receivable days sales outstanding are calculated based on ending accounts receivable, net, divided by revenue for the corresponding fiscal quarter, times a quarterly average of 91 days. Our inventory turns were both 4.1 as of the end of the third quarter of fiscal 2013 and the end of fiscal 2012. Our inventory turnover is calculated based on total cost of sales for the most recent twelve months divided by average ending inventory, net, for this same twelve month period.

Repatriation of Foreign Earnings and Income Taxes

At the end of the third quarter of fiscal 2013, $92.1 million of cash and cash equivalents was held by our foreign subsidiaries. If these funds are needed for our operations in the U.S., we would not be required to accrue and pay U.S. taxes to repatriate these funds due to intercompany financing arrangements with our foreign subsidiaries. While a significant portion of our foreign earnings continue to be permanently reinvested in our foreign subsidiaries, it is anticipated this reinvestment will not impede cash needs at the parent company level. In our determination of which foreign earnings are permanently reinvested, we consider numerous factors, including the financial requirements of the U.S. parent company, the financial requirements of the foreign subsidiaries, and the tax consequences of remitting the foreign earnings back to the U.S. There are no other material impediments to our ability to access sources of liquidity and our resulting ability to meet short and long-term liquidity needs, other than in the event we are not in compliance with the covenants under our 2012 Credit Facility or the potential tax costs of remitting foreign earnings back to the U.S.

Credit Facilities

On November 21, 2012, we entered into an amended and restated credit agreement with a group of lenders (the “2012 Credit Facility”). This credit facility provides for unsecured credit facilities in the aggregate principal amount of $1.4 billion, comprised of a five-year revolving loan facility of $700.0 million and a five-year $700.0 million term loan facility. Subject to the terms of the 2012 Credit Facility, the revolving loan facility and the term loan facility may be increased by $300.0 million in the aggregate. We also have two $75 million uncommitted revolving loan facilities (the “Uncommitted Facilities”), which are callable by the bank at any time and have no covenants. The interest rate is 0.9% to 1.00% plus either LIBOR or the bank’s cost of funds or as otherwise agreed upon by the bank and us.

As of the third quarter of 2013, our total debt was comprised primarily of a term loan of $673.8 million and a revolving credit line of $65.0 million under the 2012 Credit Facility and a revolving credit line of $62.0 million under the Uncommitted Facilities. Of the total outstanding balance, $638.8 million of the term loan and $65.0 million of the revolving credit line are classified as long-term in the Condensed Consolidated Balance Sheet.

The funds available under the 2012 Credit Facility may be used for general corporate purposes, the financing of certain acquisitions and the payment of transaction fees and expenses related to such acquisitions. Under the 2012 Credit Facility, we may borrow, repay and reborrow funds under the revolving loan facility until its maturity on November 21, 2017, at which time the revolving facility will terminate, and all outstanding loans, together with all accrued and unpaid interest, must be repaid. Amounts not borrowed under the revolving facility will be subject to a commitment fee, to be paid in arrears on the last day of each fiscal quarter, ranging from 0.15% to 0.35% per annum depending on our leverage ratio as of the most recently ended fiscal quarter. The term loan will be repaid in quarterly installments, with the last quarterly payment to be made on September 29, 2017, with the remaining outstanding balance being due and payable at maturity on November 21, 2017. On an annualized basis, the amortization of the term loan is as follows: 5%, 5%, 10%, 10%, and 70% for years one through five respectively. The term loan may be prepaid in whole or in part, subject to certain minimum thresholds, without penalty or premium. Amounts repaid or prepaid with respect to the term loan facility may not be reborrowed.

We may borrow funds under the 2012 Credit Facility in U.S. Dollars, Euros or in certain other agreed currencies, and borrowings will bear interest, at our option, at either: (i) a floating per annum base rate based on the administrative agent's prime rate or other agreed-upon rate, depending on the currency borrowed, plus a margin of between 0.00% and 1.00%, depending on our leverage ratio as of the most recently ended fiscal quarter, or (ii) a reserve-adjusted fixed per annum rate based on LIBOR, EURIBOR, or other agreed-upon rate, depending on the currency borrowed, plus a margin of between 1.00% and 2.00%, depending on our leverage ratio as of the most recently ended fiscal quarter.

Interest will be paid on the last day of each fiscal quarter with respect to borrowings bearing interest based on a floating rate, or on the last day of an interest period, but at least every three months, with respect to borrowings bearing interest at a fixed rate. Our obligations under the 2012 Credit Facility are guaranteed by several of our domestic subsidiaries.

The 2012 Credit Facility contains various customary representations and warranties by us, which include customary use of materiality, material adverse effect and knowledge qualifiers. The 2012 Credit Facility also contains customary affirmative and negative covenants including, among other requirements, negative covenants that restrict our ability to dispose of assets, create liens, incur indebtedness, repurchase stock, pay dividends, make acquisitions and make investments. Further, the 2012 Credit

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Facility contains financial covenants that require the maintenance of minimum interest coverage and maximum leverage ratios. Specifically, we must maintain as of the end of each fiscal quarter a ratio of (a) EBITDA (as defined in the 2012 Credit Facility) to (b) interest expenses for the most recently ended period of four fiscal quarters of not less than 3 to 1. We must also maintain, at the end of each fiscal quarter, a ratio of (x) total indebtedness to (y) EBITDA (as defined in the 2012 Credit Facility) for the most recently ended period of four fiscal quarters of not greater than 3 to 1; provided, that on the completion of a material acquisition, we may increase the applicable ratio in the table below by 0.25 for the fiscal quarter during which such acquisition occurred and each of the three subsequent fiscal quarters.

We were in compliance with these restrictive covenants as of the third quarter of fiscal 2013.

The 2012 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 our obligations under the 2012 Credit Facility, however that acceleration will be automatic in the case of bankruptcy and insolvency events of default.

The weighted average interest rate on the current portion of our long-term debt outstanding under the 2012 Credit Facility and Uncommitted Facilities was 1.32% and 1.96% at the end of the third quarter of fiscal 2013 and fiscal year end 2012, respectively. The interest rate on our non-current debt outstanding under the 2012 Credit Facility was 1.70% and 1.96% at the end of the third quarter of fiscal 2013 and fiscal year end 2012, respectively.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

Our non-GAAP measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures. The non-GAAP financial measures included in the tables below as well as detailed explanations to the adjustments to comparable GAAP measures, are set forth below:

Non-GAAP gross margin

We believe our investors benefit by understanding our non-GAAP gross margin as a way of understanding how product mix, pricing decisions and manufacturing costs influence our business. Non-GAAP gross margin excludes restructuring costs, amortization of purchased intangible assets, stock-based compensation and amortization of acquisition-related inventory step-up from GAAP gross margin. We believe that these exclusions offer investors additional information that may be useful to view trends in our gross margin performance.

Non-GAAP operating expenses

We believe this measure is important to investors evaluating our non-GAAP spending in relation to revenue. Non-GAAP operating expenses exclude restructuring costs, amortization of purchased intangible assets, stock-based compensation, litigation, and acquisition/divestiture costs associated with external and incremental costs resulting directly from merger and acquisition activities such as legal, due diligence, integration costs, and acquisition bonus payments from GAAP operating expenses. We believe that these exclusions offer investors supplemental information to facilitate comparison of our operating expenses to our prior results.

Non-GAAP operating income

We believe our investors benefit by understanding our non-GAAP operating income trends which are driven by revenue, gross margin, and spending. Non-GAAP operating income excludes restructuring costs, amortization of purchased intangible assets, stock-based compensation, amortization of acquisition-related inventory step-up, litigation, and acquisition/divestiture costs associated with external and incremental costs resulting directly from merger and acquisition activities such as legal, due diligence, integration costs, and acquisition bonus payments. We believe that these exclusions offer an alternative means for our investors to evaluate current operating performance compared to results of other periods.

Non-GAAP non-operating income, net

We believe this measure helps investors evaluate our non-operating income trends. Non-GAAP non-operating income, net excludes acquisition and divestiture (gains)/losses associated with unusual acquisition related items such as adjustments to the fair value of earn-out liabilities and gains or losses related to the acquisition or sale of certain

businesses and investments. These (gains)/losses are specific to particular acquisitions and divestitures and vary significantly in amount and timing. Non-GAAP non-operating income, net also excludes a foreign exchange loss specifically associated with a hedge for one of our acquisitions. We believe that these exclusions provide investors with a supplemental view of our ongoing financial results.

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Non-GAAP income tax provision

Non-GAAP items tax effected adjusts the provision for income taxes to reflect the effect of certain non-GAAP items on non-GAAP net income. We believe this information is useful to investors because it provides for consistent treatment of the excluded items in our non-GAAP presentation.

Non-GAAP net income

This measure provides a supplemental view of net income trends which are driven by non-GAAP income before taxes and our non-GAAP tax rate. Non-GAAP net income excludes restructuring costs, amortization of purchased intangible assets, stock-based compensation, amortization of acquisition-related inventory step-up, acquisition and divestiture costs, a foreign exchange loss from a hedge associated with one of our acquisitions, litigation, and non-GAAP tax adjustments from GAAP net income. We believe our investors benefit from understanding these exclusions and from an alternative view of our net income performance as compared to our past net income performance.

Non-GAAP diluted net income per share

We believe our investors benefit by understanding our non-GAAP operating performance as reflected in a per share calculation as a way of measuring non-GAAP operating performance by ownership in the company. Non-GAAP diluted net income per share excludes restructuring costs, amortization of purchased intangible assets, stock-based compensation, amortization of acquisition-related inventory step-up, acquisition and divestiture costs, a foreign exchange loss from a hedge associated with one of our acquisitions, litigation and non-GAAP tax adjustments from GAAP diluted net income per share. We believe that these exclusions offer investors a useful view of our diluted net income per share as compared to our past diluted net income per share.

Non-GAAP operating leverage

We believe this information is beneficial to investors as a measure of how much incremental revenue is contributed to our operating income. Non-GAAP operating leverage is the increase in non-GAAP operating income as a percentage of the increase in revenue. We believe that this information offers investors supplemental information to evaluate our current performance and to compare to our past non-GAAP operating leverage.

Non-GAAP segment operating income

Non-GAAP segment operating income excludes stock-based compensation from GAAP segment operating income. We believe this information is useful to investors because some may exclude stock-based compensation as an alternative view when assessing trends in the operating income of our segments.

These non-GAAP measures can be used to evaluate our historical and prospective financial performance, as well as our performance relative to competitors. We believe some of our investors track our "core operating performance" as a means of evaluating our performance in the ordinary, ongoing, and customary course of our operations. Core operating performance excludes items that are non-cash, not expected to recur or not reflective of ongoing financial results. Management also believes that looking at our core operating performance provides a supplemental way to provide consistency in period to period comparisons. Accordingly, management excludes from non-GAAP those items relating to restructuring, amortization of purchased intangible assets, stock based compensation, amortization of acquisition-related inventory step-up, acquisition and divestiture costs, a foreign exchange loss from a hedge associated with one of our acquisitions, litigation, and non-GAAP tax adjustments. For detailed explanations of the adjustments made to comparable GAAP measures, see items (A) - (J) following the tables below.

(Dollars in thousands, except per share data)	Third Quarter of				First Three Quarters of			
	2013 Dollar Amount	% of Revenue	2012 Dollar Amount	% of Revenue	2013 Dollar Amount	% of Revenue	2012 Dollar Amount	% of Revenue
GROSS MARGIN:								
GAAP gross margin:	$295,053	53.0 %	$262,868	52.1 %	$884,368	52.4 %	$789,713	51.8 %
Restructuring (A)	8	— %	60	— %	829	— %	139	— %
	20,402	3.7 %	15,728	3.1 %	59,938	3.6 %	42,145	2.8 %

Amortization of purchased intangible assets	(B)												
Stock-based compensation	(C)	609	0.1	%	502	0.1	%	1,816	0.1	%	1,480	0.1	%
Amortization of acquisition-related inventory step-up	(D)	378	0.1	%	547	0.1	%	1,505	0.1	%	677	—	%
Non-GAAP gross margin:		$316,450	56.9	%	$279,705	54.4	%	$948,456	56.2	%	$834,154	54.7	%

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OPERATING EXPENSES:														
GAAP operating expenses:		$232,024	41.7	%	$199,398	39.5	%	$699,977	41.4	%	$607,474	39.8	%	
Restructuring	(A)	(31)	—	%	(301)	(0.1)	%	(4,602)	(0.3)	%	(1,894)	(0.1)	%	
Amortization of purchased intangible assets	(B)	(21,216)	(3.9)	%	(15,712)	(3.1)	%	(60,775)	(3.6)	%	(47,170)	(3.1)	%	
Stock-based compensation	(C)	(8,296)	(1.5)	%	(7,182)	(1.3)	%	(24,342)	(1.4)	%	(22,148)	(1.5)	%	
Acquisition / divestiture items	(E)	(2,891)	(0.5)	%	(1,804)	(0.4)	%	(9,285)	(0.5)	%	(14,385)	(0.9)	%	
Litigation	(G)	(1,335)	(0.2)	%	—	—	%	(1,335)	(0.1)	%	—	—	%	
Non-GAAP operating expenses:		$198,255	35.6	%	$174,399	34.6	%	$599,638	35.5	%	$521,877	34.2	%	
OPERATING INCOME:														
GAAP operating income:		$63,029	11.3	%	$63,470	12.6	%	$184,391	10.9	%	$182,239	12.0	%	
Restructuring	(A)	39	—	%	361	0.1	%	5,431	0.3	%	2,033	0.1	%	
Amortization of purchased intangible assets	(B)	41,618	7.5	%	31,440	6.2	%	120,713	7.2	%	89,315	5.9	%	
Stock-based compensation	(C)	8,905	1.6	%	7,684	1.5	%	26,158	1.5	%	23,628	1.6	%	
Amortization of acquisition-related inventory step-up	(D)	378	0.1	%	547	0.1	%	1,505	0.1	%	677	—	%	
Acquisition / divestiture items	(E)	2,891	0.5	%	1,804	0.4	%	9,285	0.6	%	14,385	0.9	%	
Litigation	(G)	$1,335	0.2	%	$—	—	%	$1,335	0.1	%	$—	—	%	
Non-GAAP operating income:		$118,195	21.2	%	$105,306	20.9	%	$348,818	20.7	%	$312,277	20.5	%	
NON-OPERATING INCOME, NET:														
GAAP non-operating income, net:		$483			$3,352			$2,181			$8,201			
Acquisition / divestiture items	(E)	14			(334)			(846)			(447)			

Foreign exchange loss associated with acquisitions	(F)	—			—			—			1,578			
Non-GAAP non-operating income (loss), net:		$497			$3,018			$1,335			$9,332			
			GAAP and Non-GAAP Tax Rate % (I)			GAAP and Non-GAAP Tax Rate % (I)			GAAP and Non-GAAP Tax Rate % (I)			GAAP and Non-GAAP Tax Rate % (I)		
INCOME TAX PROVISION:														
GAAP income tax provision:		$8,892	14	%	$13,022	19	%	$28,067	15	%	$33,403	18	%	
Non-GAAP items tax effected:	(H)	7,725			8,088			24,062			22,873			
Non-GAAP income tax provision:		$16,617	14	%	$21,110	19	%	$52,129	15	%	$56,276	18	%	
NET INCOME:														
GAAP net income attributable to Trimble Navigation Ltd.		$54,469			$53,364			158,858			157,874			
Restructuring	(A)	39			361			5,431			2,033			
Amortization of purchased intangible assets	(B)	41,618			31,440			120,713			89,315			
Stock-based compensation	(C)	8,905			7,684			26,158			23,628			
Amortization of acquisition-related inventory step-up	(D)	378			547			1,505			677			
Acquisition / divestiture items	(E)	2,905			1,470			8,439			13,938			

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Foreign exchange loss associated with acquisitions	(F)	—	—	—	1,578
Litigation	(G)	1,335	—	1,335	—
Non-GAAP items tax affected	(H)	(7,725)	(8,088)	(24,062)	(22,873)
Non-GAAP net income attributable to Trimble Navigation Ltd.		$101,924	$86,778	$298,377	$266,170
DILUTED NET INCOME PER SHARE:					
GAAP diluted net income per share attributable to Trimble Navigation Ltd.		$0.21	$0.21	$0.61	$0.62
Restructuring	(A)	—	—	0.02	0.01
Amortization of purchased intangible assets	(B)	0.16	0.12	0.45	0.35
Stock-based compensation	(C)	0.03	0.03	0.10	0.09
Amortization of acquisition-related inventory step-up	(D)	—	—	0.01	—
Acquisition / divestiture items	(E)	0.01	0.01	0.03	0.05
Foreign exchange loss associated with acquisitions	(F)	—	—	—	0.01
Litigation	(G)	0.01	—	0.01	—
Non-GAAP items tax affected	(H)	(0.03)	(0.03)	(0.09)	(0.09)
Non-GAAP diluted net income per share attributable to Trimble Navigation Ltd.		$0.39	$0.34	$1.14	$1.04
OPERATING LEVERAGE:					
Increase in non-GAAP operating income		$12,889	$32,317	$36,541	$88,859
Increase in revenue		$51,739	$87,330	$164,316	$315,695
Operating leverage (increase in non-GAAP operating income as a % of increase in revenue)		24.9 %	37.0 %	22.2 %	28.1 %

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(Dollars in thousands, except per share data)		Third Quarter of 2013			2012			First Three Quarters of 2013			2012		
			% of Segment Revenue			% of Segment Revenue			% of Segment Revenue			% of Segment Revenue	
SEGMENT OPERATING INCOME:													
Engineering and Construction													
GAAP operating income before corporate allocations:		$73,488	23.7	%	$68,451	23.8	%	$183,301	20.6	%	$168,001	20.5	%
Stock-based compensation	(J)	2,950	0.9	%	2,675	1.0	%	8,702	1.0	%	8,730	1.0	%
Non-GAAP operating income before corporate allocations:		$76,438	24.6	%	$71,126	24.8	%	$192,003	21.6	%	$176,731	21.5	%
Field Solutions													
GAAP operating income before corporate allocations:		$31,373	31.5	%	$36,021	35.0	%	$134,271	37.0	%	$145,005	38.8	%
Stock-based compensation	(J)	714	0.8	%	628	0.6	%	2,258	0.6	%	1,952	0.5	%
Non-GAAP operating income before corporate allocations:		$32,087	32.3	%	$36,649	35.6	%	$136,529	37.6	%	$146,957	39.3	%
Mobile Solutions													
GAAP operating income (loss) before corporate allocations:		$15,276	13.5	%	$8,218	9.8	%	$42,284	12.5	%	$21,200	8.7	%
Stock-based compensation	(J)	934	0.8	%	682	0.8	%	2,794	0.8	%	1,710	0.7	%
Non-GAAP operating income before corporate allocations:		$16,210	14.3	%	$8,900	10.6	%	$45,078	13.3	%	$22,910	9.4	%
Advanced Devices													
GAAP operating income before corporate allocations:		$8,420	25.6	%	$5,684	18.5	%	$21,419	22.3	%	$12,936	14.9	%
Stock-based compensation	(J)	900	2.8	%	544	1.8	%	2,650	2.8	%	1,716	2.0	%
Non-GAAP operating income before corporate allocations:		$9,320	28.4	%	$6,228	20.3	%	$24,069	25.1	%	$14,652	16.9	%

A. Restructuring costs. Included in our GAAP presentation of cost of sales and operating expenses, restructuring costs recorded are primarily for employee compensation resulting from reductions in employee headcount in connection with our company restructurings. We exclude restructuring costs from our non-GAAP measures because we believe

they do not reflect expected future operating expenses, they are not indicative of our core operating performance, and they are not meaningful in comparisons to our past operating performance. We have incurred restructuring expense in each of the last three years however the amount incurred can vary significantly based on whether a restructuring has occurred in the period and the timing of headcount reductions.

B. Amortization of purchased intangible assets. Included in our GAAP presentation of gross margin and operating expenses is amortization of purchased intangible assets. US GAAP accounting requires that intangible assets are recorded at fair value and amortized over their useful lives. Consequently, the timing and size of our acquisitions will cause our operating results to vary from period to period, making a comparison to past performance difficult for investors. This accounting treatment may cause differences when comparing our results to companies that grow internally because the fair value

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assigned to the intangible assets acquired through acquisition may significantly exceed the equivalent expenses that a company may incur for similar efforts when performed internally. Furthermore, the useful life that we expense our intangible assets over may be substantially different from the time period that an internal growth company incurs and recognizes such expenses. We believe that by excluding the amortization of purchased intangible assets, which primarily represents technology and/or customer relationships already developed, it provides an alternative way for investors to compare our operations pre-acquisition to those post-acquisitions and to those of our competitors that have pursued internal growth strategies. However, we note that companies that grow internally will incur costs to develop intangible assets that will be expensed in the period incurred, which may make a direct comparison more difficult.

C. Stock-based compensation. Included in our GAAP presentation of cost of sales and operating expenses, stock-based compensation consists of expenses for employee stock options and awards and purchase rights under our employee stock purchase plan. We exclude stock-based compensation expense from our non-GAAP measures because some investors may view it as not reflective of our core operating performance as it is a non-cash expense. For the third quarter and the first three quarters of fiscal 2013 and 2012, stock-based compensation was allocated as follows:

	Third Quarter of		First Three Quarters of	
(Dollars in thousands)	2013	2012	2013	2012
Cost of sales	$609	$502	$1,816	$1,480
Research and development	1,265	1,163	3,644	3,869
Sales and Marketing	1,816	1,616	5,341	5,244
General and administrative	5,215	4,403	15,357	13,035
	$8,905	$7,684	$26,158	$23,628

D. Amortization of acquisition-related inventory step-up. The purchase accounting entries associated with our business acquisitions require us to record inventory at its fair value, which is sometimes greater than the previous book value of the inventory. Included in our GAAP presentation of cost of sales, the increase in inventory value is amortized to cost of sales over the period that the related product is sold. We exclude inventory step-up amortization from our non-GAAP measures because it is a non-cash expense that we do not believe is indicative of our ongoing operating results. We further believe that excluding this item from our non-GAAP results is useful to investors in that it allows for period-over-period comparability.

E. Acquisition / divestiture items. Included in our GAAP presentation of operating expenses, acquisition costs consist of external and incremental costs resulting directly from merger and acquisition activities such as legal, due diligence, integration costs and acquisition bonus payments. Included in our GAAP presentation of non-operating income, net, acquisition / divestiture (gain)/loss includes unusual acquisition or divestiture related items such as adjustments to the fair value of earn-out liabilities and gains on divestitures of certain businesses and investments. Although we do numerous acquisitions, the costs that have been excluded from the non-GAAP measures are costs specific to particular acquisitions. These are one-time costs that vary significantly in amount and timing and are not indicative of our core operating performance.

F. Foreign exchange loss associated with acquisitions. This amount represents a loss on a foreign exchange hedge associated with one of our acquisitions. We excluded the foreign exchange loss from our non-GAAP measures because we believe that the exclusion of this item provides investors an enhanced view of the cost structure of our operations and facilitates comparisons with the results of other periods.

G. Litigation. This amount represents a settlement of litigation related to a pre-acquisition agreement with a contract manufacturer. We have excluded this litigation settlement cost from our non-GAAP measures because it is a non-recurring expense that is not indicative of our ongoing operating results. We further believe that excluding this

item from our non-GAAP results is useful to investors in that it allows for period-over-period comparability.

H. Non-GAAP items tax effected. This amount adjusts the provision for income taxes to reflect the effect of the non-GAAP items (A) - (G) on non-GAAP net income. We believe this information is useful to investors because it provides for consistent treatment of the excluded items in this non-GAAP presentation.

I. GAAP and non-GAAP tax rate %. These percentages are defined as GAAP income tax provision as a percentage of GAAP income before taxes and non-GAAP income tax provision as a percentage of non-GAAP income before taxes. We believe

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that investors benefit from a presentation of non-GAAP tax rate percentage as a way of facilitating a comparison to non-GAAP tax rates in prior periods.

J. Stock-based compensation. The amounts consist of expenses for employee stock options and awards and purchase rights under our employee stock purchase plan. As referred to above we exclude stock-based compensation here because investors may view it as not reflective of our core operating performance as it is a non-cash expense. However, management does include stock-based compensation for budgeting and incentive plans as well as for reviewing internal financial reporting. We discuss our operating results by segment with and without stock-based compensation expense, as we believe it is useful to investors. Stock-based compensation not allocated to the reportable segments was approximately $3.4 million and $3.2 million for the third quarter of fiscal 2013 and 2012, respectively, and $9.8 million and $9.5 million for the first three quarters of fiscal 2013 and 2012, respectively.

Non-GAAP Operating Income

Non-GAAP operating income increased by $12.9 million for the third quarter of fiscal 2013, as compared to the corresponding period in the prior year. Non-GAAP operating income as a percentage of total revenue was 21.2% for the third quarter of fiscal 2013, as compared to 20.9% for the corresponding period in the prior year. Non-GAAP operating income increased by $36.5 million for the first three quarters of fiscal 2013, as compared to the corresponding period in the prior year. Non-GAAP operating income as a percentage of total revenue was 20.7% for the first three quarters of fiscal 2013, as compared to 20.5% for the corresponding period in the prior year. The increase in operating income for both the third quarter and first three quarters was primarily driven by higher revenue in Engineering and Construction and Mobile Solutions and gross margin expansion due to higher margin software, maintenance, and subscription revenue. The increase in operating income percentage for both the third quarter and first three quarters was primarily due to gross margin expansion, partially offset by higher operating expense associated with acquisitions.

ITEM 3. 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

There have been no significant changes to our market interest rate risk assessment. Refer to our 2012 Annual Report on Form 10-K on page 50.

Foreign Currency Exchange Rate Risk

We operate in international markets, which expose us to market risk associated with foreign currency exchange rate fluctuations between the U.S. Dollar and various foreign currencies, the most significant of which is the Euro. Historically, the majority of our revenue contracts are denominated in U.S. Dollars, with the most significant exception being Europe, where we invoice primarily in Euros. Additionally, a portion of our expenses, primarily the cost to manufacture, cost of personnel to deliver technical support on our products and professional services, sales and sales support and research and development, are denominated in foreign currencies, primarily the Euro, Swedish Krona, New Zealand Dollar and Canadian Dollar. Revenue resulting from selling in local currencies and costs incurred in local currencies are exposed to foreign currency exchange rate fluctuations which can affect our operating income. As exchange rates vary, operating income may differ from expectations. In the third quarter and first three quarters of fiscal 2013, revenue was positively impacted by foreign currency exchange rates by $4.2 million and $6.8 million. The impact to operating income was immaterial.

We enter into foreign currency forward contracts to minimize the short-term impact of foreign currency exchange rate fluctuations on cash and certain trade and inter-company receivables and payables, primarily denominated in Australian, Canadian, Singapore and New Zealand Dollars, Japanese Yen, Indian Rupee, Brazilian Real, South African Rand, Swedish Krona, Swiss Franc, Euro and British pound. These contracts reduce the exposure to fluctuations in foreign currency 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 currency forward contracts for trading purposes. We occasionally enter into foreign currency forward contracts to hedge the purchase price of some of our larger business acquisitions.

Foreign currency forward contracts outstanding as of the third quarter of fiscal 2013 and fiscal year end 2012 are summarized as follows (in thousands):

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	Third Quarter of Fiscal 2013		Fiscal Year End 2012	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Forward contracts:				
Purchased	$(48,982)	$750	$(44,089)	$135
Sold	$70,106	$(1,315)	$58,628	$(212)

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

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures.

The management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

(b) Internal Control Over Financial Reporting.

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On August 9, 2013, Harbinger Capital Partners, LLC and additional plaintiffs ("Plaintiffs") filed a lawsuit against Deere & Co., Garmin International, Inc., the Company and two other defendants in the U.S. District Court in Manhattan in connection with Plaintiffs' investment in LightSquared, Inc. (the "Harbinger Lawsuit."). Plaintiffs allege, among other things, fraud and negligent misrepresentation, claiming that the defendants were aware of material facts that caused the Federal Communications Commission to take adverse action against LightSquared and failed to disclose those facts. Plaintiffs seek $1.9 billion in damages from the defendants. On November 1, 2013, LightSquared, Inc. and several related parties filed suit against the same defendants. Plaintiffs in this lawsuit assert similar state law claims to those made in the Harbinger Lawsuit, as well as additional claims, including breach of contract, and allege that LightSquared invested billions of dollars in reliance on the promises and representations of defendants. We believe that these lawsuits are without merit and will vigorously defend ourselves in these matters.

From time to time, we are also involved in litigation arising out of the ordinary course of our business. There are no other material legal proceedings, other than ordinary routine litigation incidental to the business, to which we or any of our subsidiaries is a party or of which any of our or their property is subject.

ITEM 1A. RISK FACTORS

A description of factors that could materially affect our business, financial condition, or operating results is included under "Risk and Uncertainties" in Item 1A of Part I of our 2012 Annual Report on Form 10-K and is incorporated herein by reference. There have been no material changes to the risk factor disclosure since our 2012 Annual Report on Form 10-K. The risk factors described in our Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial conditions and/or operating results.

ITEM 6. EXHIBITS

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3.1	Restated Articles of Incorporation of the Company filed June 25, 1986. (2)
3.2	Certificate of Amendment of Articles of Incorporation of the Company filed October 6, 1988. (2)
3.3	Certificate of Amendment of Articles of Incorporation of the Company filed July 18, 1990. (2)
3.4	Certificate of Amendment of Articles of Incorporation of the Company filed May 29, 2003. (3)
3.5	Certificate of Amendment of Articles of Incorporation of the Company filed March 4, 2004. (4)
3.6	Certificate of Amendment of Articles of Incorporation of the Company filed February 21, 2007. (6)
3.7	Certificate of Amendment of Articles of Incorporation of the Company filed March 20, 2013. (7)
3.8	Bylaws of the Company, amended and restated through May 7, 2013. (5)
4.1	Specimen copy of certificate for shares of Common Stock of the Company. (1)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 5, 2013. (8)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 5, 2013. (8)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 5, 2013. (8)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 5, 2013. (8)
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

(1) Incorporated by reference to exhibit number 4.1 to the registrant's Registration Statement on Form S-1, as amended (File No. 33-35333), which became effective July 19, 1990.

(2) Incorporated by reference to identically numbered exhibits to the registrant's Annual Report on Form 10-K for the fiscal year ended January 1, 1999.

(3) Incorporated by reference to exhibit number 3.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended July 4, 2003.

(4) Incorporated by reference to exhibit number 3.6 to the registrant's Quarterly Report on Form 10-Q for the quarter ended April 2, 2004.

(5) Incorporated by reference to exhibit number 3.2 to the Company's Current Report on Form 8-K, filed March 20, 2013.

(6) Incorporated by reference to exhibit number 3.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2007.

(7) Incorporated by reference to exhibit number 3.1 to the Company's Current Report on Form 8-K, filed March 20, 2013.

(8) Filed herewith.

SIGNATURES

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

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TRIMBLE NAVIGATION LIMITED
(Registrant)

By: /s/ Julie Shepard
Julie Shepard
Interim Chief Financial Officer
(Authorized Officer and Principal Financial Officer)

DATE: November 5, 2013

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101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

(1) Incorporated by reference to exhibit number 4.1 to the registrant's Registration Statement on Form S-1, as amended (File No. 33-35333), which became effective July 19, 1990.

(2) Incorporated by reference to identically numbered exhibits to the registrant's Annual Report on Form 10-K for the fiscal year ended January 1, 1999.

(3)

Incorporated by reference to exhibit number 3.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended July 4, 2003.

(4) Incorporated by reference to exhibit number 3.6 to the registrant's Quarterly Report on Form 10-Q for the quarter ended April 2, 2004.

(5) Incorporated by reference to exhibit number 3.2 to the Company's Current Report on Form 8-K, filed March 20, 2013.

(6) Incorporated by reference to exhibit number 3.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2007.

(7) Incorporated by reference to exhibit number 3.1 to the Company's Current Report on Form 8-K, filed March 20, 2013.

(8) Filed herewith.