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

FORM 10-K

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

For the fiscal year ended January 2, 2004

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___________to_____________

Commission File Number: 0-18645

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

California 94-2802192
(State or other jurisdiction of incorporation or organization)
(I.R.S. Employer Identification No.)

749 North Mary Avenue, Sunnyvale, CA 94085
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (408) 481-8000

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

Securities registered pursuant to Section 12(g) of the Act:

Common Stock
Preferred Share Purchase Rights
(Title of Class)

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 [X] No [ ]

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No [ ]

The aggregate market value of the Common Stock held by non-affiliates of the registrant, based upon the last sale price of the Common Stock reported on the Nasdaq National Market on July 3, 2003 was approximately $795 million.

There were 50,537,119 shares of the registrant's Common Stock issued and outstanding as of March 11, 2004.

DOCUMENTS INCORPORATED BY REFERENCE

Certain parts of Trimble Navigation Limited's Proxy Statement relating to the annual meeting of stockholders to be held on May 19, 2004 (the "Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

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

TRIMBLE NAVIGATION LIMITED

2003 FORM 10-K ANNUAL REPORT

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TRADEMARKS

Trimble, the globe and triangle logo, EZ-Guide, Telvisant, Lassen, SiteVision, GeoExplorer, AgGPS, Thunderbolt, FirstGPS, and CrossCheck are trademarks of Trimble Navigation Limited registered in the United States Patent and Trademark Office and other countries. Force, Galaxy, Placer, TrimTrac and Trimble Toolbox are trademarks of Trimble Navigation Limited. All other trademarks are the property of their respective owners.

PART I

Item 1 Business Overview

Trimble Navigation Limited, a California corporation ("Trimble" or "the Company" or "we" or "our" or "us"), provides advanced positioning product solutions to commercial and government users in a large number of markets. These markets include surveying, construction, agriculture, urban and resource management, military, transportation, and telecommunications. Our products typically provide benefits that can include cost savings, improved quality, or higher productivity. Examples of our products include earthmoving equipment guidance systems, surveying instruments, fleet management systems, components for in vehicle navigation and telematics systems, farm equipment guidance systems, field data collection handhelds, and timing modules used in the synchronization of wireless networks.

Our products typically integrate positioning, communication, and information technologies. Positioning technologies used include the Global Positioning System (GPS), laser, optical, and inertial, while communication techniques include both public networks, such as cellular, and private networks such as business band radio. A significant amount of the differentiation in the products is provided through software; both firmware that enables the positioning solution and applications software that allows the customer to make use of the positioning information.

We design and market our own products. Our manufacturing strategy includes a combination of in house assembly and fabrication as well as subcontracting those functions to third parties. We conduct our business globally with major development, manufacturing or logistics operations in the United States, Sweden, Germany, New Zealand, and the Netherlands. Products are sold through dealers, representatives, joint ventures, and other channels throughout the world. These channels are supported by our sales offices located in more than 20 countries.

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

Technology Overview

A majority of our revenues is derived from applying GPS to terrestrial applications. GPS is a system of 24 orbiting satellites and associated ground control that is funded and maintained by the U. S. Government and is available worldwide free of charge. GPS positioning is based on a technique that precisely measures distances from four or more satellites. The satellites continuously transmit precisely timed radio signals using extremely accurate atomic clocks. A GPS receiver measures distances from the satellites in view by determining the travel time of a signal from the satellite to the receiver, and then uses those distances to compute its position. Under normal circumstances, a stand-alone GPS receiver is able to calculate its position at any point on earth, in the earth's atmosphere, or in lower earth orbit, to approximately 10 meters, 24 hours a day. Much better accuracies are possible through a technique called "differential GPS." In addition, GPS provides extremely accurate time measurement.

GPS accuracy is dependent upon the locations of the receiver and the number of GPS satellites that are above the horizon at any given time. Reception of GPS signals requires line-of-sight visibility between the satellites and the receiver, which can be blocked by buildings, hills, and dense foliage. The receiver must have a line of sight to at least four satellites to determine its latitude, longitude, attitude (angular orientation), and time. The accuracy of GPS may also be limited by distortion of GPS signals from ionospheric and other atmospheric conditions.

Our GPS products are based on proprietary receiver technology. The convergence of positioning, wireless, and information technologies enables significant new value to be added to positioning systems, thereby creating a more robust solution for the user. In addition, recent developments in wireless technology and deployments of next generation wireless networks have enabled less expensive wireless communications. These developments allow for the efficient transfer of position data to locations away from the positioning field device, allowing the data to be accessed by more users and thereby increasing productivity.

Our laser and optical products measure distances and angles accurately using light. We generally use commercially available laser diodes to create light beams for distance measurement. In addition, our proprietary precision mechanics and software algorithms in these products combine to give robust, accurate distance and angle measurements for a variety of agricultural, surveying, and construction applications.

Business Strategy

Our business strategy leverages our expertise in positioning to provide solutions for our customers, built around several key elements:

o Attractive markets - We focus on markets that offer potential for revenue growth, profitability, and market leadership.

o Innovative solutions that provide significant benefits to our customers - We seek to apply our technology to applications for which position data has a high value. We anticipate that further advances in positioning, wireless, and information technologies will enable new classes of solutions to emerge that will create new opportunities.

o Distribution channels to best access our markets - We utilize a range of distribution channels to best serve the needs of individual markets. These channels can include independent dealers, direct sales, OEM sales, and distribution alliances with key partners. In addition, we will continue to extend our international distribution.

Business Segments and Markets

We are organized into four main operating segments encompassing our various applications and product lines: Engineering and Construction, Field Solutions, Component Technologies, and Mobile Solutions. We also operate in smaller business areas, primarily focused on military and inertial integration technologies, which aggregate into the Portfolio Technologies segment. Our segments are distinguished by the markets they serve. Each segment consists of businesses which are responsible for product development, marketing, sales, strategy, and financial performance, and is headed by a general manager.

Segment Realignment

In the first fiscal quarter of 2003, we realigned two of our reportable segments. The Tripod Data Systems (TDS) business is now included in the Engineering and Construction segment. Previously it was included in the Portfolio Technologies segment. All comparable information for earlier periods has been restated to conform to the new basis.

Engineering and Construction

Products in the Engineering and Construction segment improve productivity and accuracy throughout the entire construction process including the initial survey, planning, design, earthmoving, and building phases. The product emphasis is aimed at making each individual task more efficient, as well as speeding up the entire process by improving information flow from one step to the next.

We typically combine a number of technologies into product solutions. The elements of these solutions may incorporate GPS, optical, laser, radio or cellular communications, and software.

An example of the customer benefits provided by our product is our GPS and robotic optical surveying instruments which enable the surveyor to perform operations in the field faster, more reliably and with a smaller crew. Similarly, our construction machine guidance products allow the operator to achieve the desired landform by eliminating stakeout and reducing rework. In turn, these steps in the construction process can be readily linked together with data collection modules and software to minimize the time and effort required to maintain data accuracy throughout the entire construction process.

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

We also design and market handheld data collectors and data collection software for field use by surveyors, contractors, and other professionals. These products are sold directly, through dealers, and other survey manufacturers. Competitors in this portion of the business are small and geographically diverse.

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

Representative products sold in this segment include:

5800 RTK Rover - This is an integrated unit that allows the surveyor to make centimeter-level measurements or do construction stakeout with only one person. Wireless technology eliminates cables that could otherwise snag on foliage and structures. The rover weighs 3.5kg for an entire system on a pole including batteries.

5600 Total Station - This optical total station series provides a choice of increasing levels of automation that allow the surveyor to choose a system that will best suit his work. Depending on the job, these configurations enable one-person stakeout and survey. The included Attachable Control Unit (ACU) also works with the 5800 RTK Rover providing complete measurement compatibility regardless of the technology used.

SiteVision(R) GPS System - SiteVision GPS is a machine-mounted, positioning system that guides the operator by comparing the actual position of the blade with the digitized design that resides in a computer on the machine. The use of this system enables faster machine speed, eliminates the need for placing stakes, and lowers the number of passes needed to get the desired grade. Applications include road construction and site preparation.

Spectra Precision(R) Laser GL 700 Series - This laser product provides grade control capability for heavy equipment on a construction site. The level surface of the laser light can be precisely controlled, and machines with a laser receiver can be controlled to establish a precise and uniform grade over the desired area. Applications include trenching, pipe laying, machine control grading, and road construction applications.

TDS Ranger(TM) Series - The TDS Ranger device is a handheld data collector supporting Microsoft's Windows CE operating system. Running TDS survey software, this unit can control and collect data from all major brands of optical and GPS surveying instruments. The operator can also run his or her own application programs for the Microsoft Windows CE operating system on the platform.

Field Solutions

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

Our agriculture products consist of manual and automated navigation guidance for tractors and other farm equipment used in spraying, planting, cultivation, and harvesting applications. The benefits to the farmer include faster machine operation, higher yields, and lower consumption of chemicals. We also provide positioning solutions for leveling agricultural fields in irrigation applications and aligning drainage systems to better manage water flow in fields.

Our distribution to the agricultural market is through multiple channels. Revenue is generated through independent dealers and through partners such as CNH Global. Competitors in this market are either vertically integrated implement companies such as John Deere, or agricultural instrumentation suppliers such as Raven, RHS, CSI Wireless, Beeline and Integrinautics.

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

Distribution for GIS products is primarily through a network of independent dealers and business partners, supported by our sales force. Primary markets for our GIS products and solutions include government, defense and homeland security, utility and communications and natural resources management. Competitors in this market are typically either survey instrument companies having GPS technology and/or consumer GPS companies. Two examples are Leica Geosystems and Thales Navigation.

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

Representative products sold within this segment include:

GeoExplorer(R) CE Series - Combines a GPS receiver in a rugged handheld unit running Microsoft's Windows CE operating system that makes it easy to collect and maintain data about objects in the field.

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

AgGPS(R) EZ-Guide(R) System - A GPS-enabled, manual guidance system that provides the tractor operator with steering visual corrections required to stay on course to within 25 centimeters. This system reduces the overlap or gap in spraying, fertilizing, and other field applications.

Component Technologies

Our Component Technologies segment provides GPS-based components for applications that require embedded position or time. Our largest markets are in the telecommunications and automotive industries where we supply modules, boards, custom integrated circuits and software, or single application IP licenses to the customer according to the needs of the application. Sales are made directly to original equipment manufacturers (OEMs) and system integrators who incorporate our component into a sub-system or a complete system-level product.

In the telecommunications infrastructure market, we provide timing modules that keep wireless networks synchronized and on frequency. For example, CDMA cellular telephone networks require a high level of both short-term and long-term frequency stability for proper operation (synchronization of information/voice flow to avoid dropped calls). Our timing modules meet these needs at a much lower cost than the atomic standards or other specially prepared components that would otherwise be required. Customers include wireless infrastructure companies such as Nortel, Samsung, Nokia, UTStarcom, and Andrew.

In the automotive and embedded market, we provide a GPS component that is embedded into in-vehicle navigation (IVN) systems. Our focus on high reliability, continuous improvement, and low cost has earned us supplier awards and continuing business in this market. Customers include IVN system manufacturers and integrators such as Siemens VDO Automotive AG, Hyundai Automotive Company, Robert Bosch GmbH, and Ixfin Magneti Marelli Sistemi Electronici S.P.A .

* The declining size and power requirements for GPS components, coupled with improving capabilities allow GPS to potentially be used in a new class of applications such as position-aware cellular telephones or other wireless handheld devices. We expect our strength in GPS technology will expand our participation in this market.

* Component Technologies continues to explore other positioning solutions in addition to GPS. An example of such a solution is the television triangulation technology developed by Rosum. With Rosum, we intend to develop a family of devices which will greatly extend the ability to locate both people and assets in environments that would be difficult or impossible for GPS only solutions.

The major competitor in the telecommunication infrastructure market is Symmetricom. Competitors in the automotive and embedded markets are typically component companies with GPS capability, including Japan Radio Corporation, Motorola, and SiRF.

Representative products sold by this segment include:

Thunderbolt(R) GPS Disciplined Clock - The Thunderbolt clock is used as a time source for the synchronization of wireless networks. By combining a GPS receiver with a high-quality quartz oscillator, the Thunderbolt achieves the performance of an atomic standard with higher reliability and lower price.

FirstGPS(R) Technology - We license our FirstGPS technology, which is a host-based, GPS system available as two integrated circuits and associated software. The software runs on a customer's existing microprocessor system complementing the work done by the integrated circuit to generate position, velocity, and time. This low-power technology is particularly suitable for small, mobile, battery-operated applications.

Lassen(R) SQ Module - The Lassen SQ module adds complete GPS functionality to a mobile product in a postage stamp-sized footprint with ultra-low power consumption, consuming less than 100mW at 3.3V. This module is designed for portable handheld, battery-powered applications such as cell phones, pagers, PDAs, digital cameras, and many others.

TrimTrac(TM) Locator - Our new TrimTrac product is a complete end user device that combines GPS functionality with tri-band global system for mobile communications (GSM) wireless communications. It is intended for high volume personal vehicle and commercial asset management applications that demand a low-cost locator device.

Mobile Solutions

Our Mobile Solutions segment addresses the market for fleet management services by providing a Trimble-hosted platform solution that bundles both the hardware and software needed to run the application. The software solution is typically provided to the user through Internet-enabled access to our hosted platform for a monthly service fee. This bundled solution enables the fleet owner to dispatch, track, and monitor the conditions of vehicles in the fleet on a real-time basis. A vehicle-mounted unit consists of a single module including a GPS receiver, sensor interface, and a cellular modem. Our solution includes the communication service from the vehicle to our data center and access over the Internet to the application software, relieving the user of the need to maintain extensive computer operations.

We market our fleet management services in three primary areas, leveraging the core platform. Our vertical market strategy targets opportunities in specific vertical markets where we believe we can provide a unique value to the end user by customizing the hardware and software solution for a particular industry. For example, the first vertical we are addressing is ready mix concrete. Here, we combine a suite of sensors into a solution that can automatically determine the status of a vehicle without driver intervention. Our agreement with McNeilus, a major manufacturer of trucks for the ready mix concrete and waste management industries, facilitates the delivery of a complete management solution to ready mix concrete fleet operators and refuse haulers. McNeilus' sales force markets our solution as a retrofit for trucks already in the field, or as a factory-installed option. We plan on leveraging our technology, partners and customers into other verticals, such as other construction material delivery vehicles and waste management trucks, where a customized solution can provide similar benefits as in ready mix.

We also have a horizontal market strategy that focuses on providing turnkey solutions to a broad range of service fleets and mobile workers that span over 90 distinct markets. Here, we leverage the same general applications that are used in our vertical markets, however, the same level of customization, such as additional sensors, is typically not required. These products are distributed through individual dealers and dealer service providers, as well as after-market automotive electronics suppliers.

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

Approximate prices for the hardware fall in the range of $300 to $3,000, while the monthly software service fees range from approximately $20 to approximately $55, depending on the customer service level. Competition comes largely from service-oriented businesses such as @Road and software companies such as Command Alkon.

Representative products sold by this division include:

Telvisant(R) System - Our fleet management service offering, Telvisant provides different levels of service that run from snapshots of fleet activity to real-time fleet dispatch capability. Telvisant includes truck communication service and computer backbone support of the software. Variations of Telvisant are tailored for specific industry applications.

CrossCheck(R) Module - This hardware, mounted on the vehicle, provides location and information through its built-in cellular interface. This module also includes GPS positioning, sensor interfaces for vehicle conditions, and built-in intelligence for distributed decision-making.

Portfolio Technologies

Our Portfolio Technologies segment includes various operations that aggregate to less than 10 percent of our total revenue. The products in this segment are navigation modules and embedded sensors that are used in avionics, flight, and military applications. The two operations in this segment are Applanix, and Military and Advanced Systems (MAS).

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

Our MAS business supplies GPS modules that use the military's GPS advanced capabilities. The modules are used for guiding aircraft. Military products are sold directly by our sales force to either the US Government or a contractor.

Sales are also made to non-US governments, with the sales of the encrypted components taking place through the US Government. Competitors in this market include Rockwell, L3, Raytheon, and Thales.

Representative products sold by this segment include:

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

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

Acquisitions and Joint Ventures

Our growth strategy is centered around developing and marketing innovative and complete value-added solutions to our existing customers, while also marketing them to new customers and geographic regions. To do this, we believe it is essential to continually enhance our market position, which has led to partnering with or acquiring companies that bring technologies, products or distribution capabilities that will allow us to enter or penetrate a market quicker than if we had done so solely through internal development. Over the past five years, this has led us to form two joint ventures and acquire six companies. No assurance can be given that our previous or future acquisitions will be successful or will not materially adversely affect our financial condition or operating results.

Applanix Corporation

* On July 7, 2003, we acquired privately held Applanix Corporation, a Canadian developer of systems that integrate inertial navigation system and GPS technologies. We expect the Applanix acquisition to extend our technology portfolio and enable increased robustness and capabilities in our future positioning products. Applanix's performance is reported under our Portfolio Technologies segment.

MENSI S.A.

* On December 9, 2003, we acquired privately held MENSI S.A., a French developer of terrestrial 3D laser scanning technology. We expect the MENSI acquisition to enhance our technology portfolio and expand our product offerings. MENSI's performance is reported under our Engineering and Construction segment.

TracerNET Corporation

* On March 5, 2004, we acquired privately held TracerNET Corporation of Virginia, a provider of wireless fleet management solutions. We expect the TracerNET acquisition to offer more diverse and complete fleet management solutions. TracerNET's performance will be reported under our Mobile Solutions segment.

Nikon-Trimble Co., Ltd.

On March 28, 2003, Trimble and Nikon Corporation entered into an agreement to form a joint venture in Japan, Nikon-Trimble Co., Ltd., which would assume the operations of Nikon Geotecs Co., Ltd., a Japanese subsidiary of Nikon Corporation and Trimble Japan KK, our Japanese subsidiary. Nikon-Trimble began operations in July of 2003.

Nikon-Trimble is 50% owned by us and 50% owned by Nikon, with equal voting rights. It is focusing on the design and manufacture of surveying instruments including mechanical total stations and related products. In Japan, this joint venture distributes Nikon's survey products as well as our survey, agriculture, construction and GIS products. Outside of Japan, we are the exclusive distributor of Nikon survey and construction products.

* We expect the joint venture to enhance our market position in survey instruments through geographic expansion and market penetration. The Nikon instruments will broaden our survey and construction product portfolio and enable us to better access emerging markets such as Russian, Chinese, and Indian markets. It will also provide us with the ability to sell our GPS and robotic technology to existing Nikon customers. Additionally, Nikon-Trimble is expected to improve our market position in Japan.

Caterpillar Trimble Control Technologies, LLC

On April 1, 2002, we established and began operations of a joint venture with Caterpillar called Caterpillar Trimble Control Technologies, LLC, in which each company has a 50% ownership stake and have equal voting rights. This joint venture is developing new generations of machine control products for the construction and mining markets for installation in the factory or as a dealer option.

* Today, we sell construction machine control products to contractors through our dealer channel, for installation on bulldozers, motorgraders, and excavators that are already in the field (the "after-market"). However, both companies believe the adoption of the technology will spur future demand for machine control products that can be integrated into the design of new Caterpillar machines, while also available for "after-market" installation.

Patents, Licenses and Intellectual Property

We hold approximately 600 US patents and 108 non-US patents, the majority of which cover GPS technology and applications, and over 94 of which cover optical and laser technology and applications.

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

There are approximately 60 trademarks registered to Trimble including "Trimble," the globe and triangle logo, "AgGPS," "GeoExplorer," and "Telvisant," among others that are registered to Trimble Navigation Limited in the United States and other countries. Additional trademarks are pending registration.

Sales and Marketing

We currently have regional sales offices throughout North America and Europe. Offices serving the rest of the world include Australia, China, Korea, New Zealand, Singapore, and United Arab Emirates. We tailor the distribution channel to the needs of our products and regional markets. Therefore, we have a number of forms of sales channel solutions around the world.

North America

We sell our products in the United States and Canada primarily through dealers, distributors, and authorized representatives. This channel is supplemented and supported by our employees who provide additional sales support. In some cases, where third party distribution is not available, we utilize a direct sales force. We also utilize distribution alliances and OEM relationships with other companies as a means to serve selected markets.

International

We market to end users through an extensive world wide network of dealers and distributors. Distributors carry one or more product lines and are generally assigned a territory. We occasionally grant exclusive rights to market certain products within specified countries. See Note 3 of the Notes to the Consolidated Financial Statements for financial information regarding joint ventures

Sales to unaffiliated customers outside the United States comprised approximately 51% in 2003, 49% in 2002, and 50% in 2001. During the 2003 fiscal year, North and South America represented 56%, Europe, the Middle East and Africa represented 31%, and Asia represented 13% of our total revenues.

Support and Warranty

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

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

Seasonality of Business

* Our revenues are affected by seasonal buying patterns in some of our businesses. Over half of our total revenue comes from our Engineering and Construction business, which has the biggest seasonal impact on our total revenue. This business, and therefore our total revenue, is seasonally strongest

during the second quarter due to the start of the construction buying season in the northern hemisphere in spring. Typically, we expect the first and fourth quarters to be the seasonal lows due to the lack of construction during the winter months. If other factors such as economic conditions or underlying growth in the business are removed, the historical variability in our total quarterly revenue from seasonality has generally been less than 10 percent.

Backlog

In most of our markets, the time between order placement and shipment is short. Therefore, we believe that backlog is not a reliable indicator of present or future business conditions.

Manufacturing

Manufacturing of our GPS products is subcontracted to Solectron Corporation. We completed the move of all Component Technologies products to Solectron in China in the first quarter of 2003. During 2003 we started utilizing Solectron in Mexico for some of our handheld products. We continue to utilize Solectron California for our high-end GPS products and new product introduction services. Solectron is responsible for substantially all material procurement, assembly, and testing. We continue to manage product design up through pilot production for the subcontracted products, and we are directly involved in qualifying suppliers and key components used in all our products. Our current contract with Solectron continues in effect until either party gives the other ninety days written notice.

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

All of our manufacturing sites are registered to ISO9001:2000, covering the design, production, distribution, and servicing of all our products. The Component Technologies segment is registered to QS9000 for its automotive products. QS9000 is the automotive version of ISO9000 covering specific requirements for the market.

Research and Development

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

Our research and development expenditures, net of reimbursed amounts were $67.6 million for fiscal 2003, $61.2 million for fiscal 2002, and $62.9 million for fiscal 2001.

* We expect to continue investing in research and development with the goal of maintaining or improving our competitive position, as well as the goal of entering new markets and satisfying new needs for positioning related solutions. There can be no assurance that we will succeed in doing so.

Employees

As of January 2, 2004, we employed approximately 2,150 employees, including 30% in sales and marketing, 29% in manufacturing, 28% in engineering, and 13% in general and administrative positions. Approximately 45% of employees are in locations outside the United States.

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

Available Information

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

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

Trimble Navigation Limited
749 North Mary Avenue, Sunnyvale, CA 94085
Attention: Investor Relations
Telephone: 408-481-8000

Executive Officers

The names, ages, and positions of the Company's executive officers as of March 1, 2004 are as follows:

Name	Age	Position
Steven W. Berglund	52	President and Chief Executive Officer
Mary Ellen P. Genovese	44	Chief Financial Officer
William C. Burgess	57	Vice President, Human Resources
Joseph F. Denniston, Jr.	43	Vice President, Operations
Bryn A. Fosburgh	41	Vice President and General Manager, Geomatics and Engineering
Mark A. Harrington	48	Vice President of Strategy and Business Development
John E. Huey	54	Treasurer
Irwin L. Kwatek	64	Vice President and General Counsel
Michael W. Lesyna	43	Vice President and General Manager, Mobile Solutions
Bruce E. Peetz	52	Vice President, Advanced Technology and Systems
Christopher J. Shephard	41	Vice President and General Manager, Construction Instruments
Anup V. Singh	33	Corporate Controller
Alan R. Townsend	55	Vice President and General Manager, Field Solutions
Dennis L. Workman	58	Vice President and General Manager, Component Technologies

Steven W. Berglund - Steven Berglund joined Trimble as president and chief executive officer in March 1999. Prior to joining Trimble, Mr. Berglund was president of Spectra Precision, a group within Spectra Physics AB, and a pioneer in the development of laser systems. He spent 14 years at Spectra Physics in a variety of senior leadership positions. In the early 1980s, Mr. Berglund spent a number of years at Varian Associates in Palo Alto, where he held a variety of planning and manufacturing roles. Mr. Berglund began his career as a process engineer at Eastman Kodak in Rochester, New York. He attended the University of Oslo and the University of Minnesota where he received a B.S. in chemical engineering in 1974. He later received his M.B.A. from the University of Rochester in New York in 1977.

Mary Ellen Genovese - Mary Ellen Genovese, chief financial officer, has been responsible for the overall financial activities of Trimble since September 2000. Ms. Genovese was vice president of finance and corporate controller from 1997 to September 2000. From 1994 to 1997, Ms. Genovese served as business unit controller for Software and Component Technologies, and Tracking and Communications. She joined Trimble as controller of manufacturing operations in December 1992. Prior to joining Trimble, Ms. Genovese was chief financial officer for Minton Co., a distributing company to the commercial building market, from 1991 to 1992. Prior to 1991, she worked for 10 years with General Signal Corp. in several management positions. Ms. Genovese is a certified public accountant and received her B.S. in accounting from Fairfield University in Connecticut in 1981.

William C. Burgess - William Burgess joined Trimble in August of 2000 as vice president of Human Resources. Prior to joining Trimble, Mr. Burgess was vice president of Human Resources and Management Information Systems for Sonoma West Holdings, Inc. From 1993 to 1997, he served as vice president of Human Resources for Optical Coating Laboratory, from 1990 to 1993, he established and managed the human resources function at Teknekron Communications Systems, and from 1985 to 1990 he was vice president of Human Resources for a $25 billion, 35,000-employee segment of Asea Brown Boveri (ABB), a global technology company. Mr. Burgess received a B.S. from the University of Nebraska and an M.S. in organizational development from Pepperdine University.

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

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

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

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

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

Michael W. Lesyna - Michael Lesyna has been vice president and general manager of the Mobile Solutions segment since September 2000. Prior to Trimble, Mr. Lesyna spent six years at Booz Allen & Hamilton where he most recently served as a principal in the operations management group. Prior to Booz Allen & Hamilton, Mr. Lesyna held a variety of engineering positions at Allied Signal Aerospace. Mr. Lesyna received his M.B.A., as well as an M.S. and B.S. in mechanical engineering from Stanford University.

Bruce E. Peetz - Bruce Peetz has served as vice president of Advanced Technology and Systems since 1998 and has been with Trimble for 15 years. From 1996 to 1998, Mr. Peetz served as general manager of the Survey Business. Prior to joining Trimble, Mr. Peetz was a research and development manager at Hewlett-Packard for 10 years. Mr. Peetz received his B.S. in electrical engineering from Massachusetts Institute of Technology in Cambridge, Massachusetts in 1973.

Anup V. Singh - Anup Singh has served as corporate controller since joining Trimble in December 2001. Prior to joining Trimble, Mr. Singh was with Excite@Home from July 1999 to December 2001. During his tenure at Excite@Home, he held the positions of senior director of Corporate Financial Planning and Analysis, and international controller. Before Excite@Home, Mr. Singh also worked for 3Com Corporation from December 1997 to July 1999, and Ernst & Young LLP in San Jose, California and London, England. Mr. Singh received his B.A. in 1991 and M.A. in 1995 in economics and management science from Cambridge University in England. He is also a chartered accountant and was admitted as a member of the Institute of Chartered Accountants in England and Wales in 1994.

Christopher J. Shephard - Chris Shephard was appointed vice president and general manager of the Construction Instruments business area in July 2002 after serving as division vice president of operations for Engineering and Construction since Trimble's acquisition of Spectra Precision Group in July 2000. Prior to Trimble, Mr. Shephard served from 1998 to 2000 as Spectra Precision's chief financial officer. Mr. Shephard also worked for more than eight years at Booz Allen & Hamilton. Prior to Booz Allen & Hamilton, Mr. Shephard spent three years at Copeland Corporation, a division of Emerson, in their management-training program. Mr. Shephard received a B.A. in business studies from Manchester Polytechnic in England in 1985 and an M.M. from the J.L. Kellogg Graduate School of Management at Northwestern University, Evanston, Illinois in 1990.

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

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

Item 2 Properties

The following table sets forth the significant real property that we own or lease:

Location	Segment(s) served	Size in sq.feet	Commitment
Sunnyvale, California	All	150,000	Leased, expiring 2005 4 buildings
Huber Heights (Dayton), Ohio	Engineering & Construction,	150,000	Owned, no encumbrances
	Field Solutions	57,200	Leased, expiring in 2011
	Distribution	32,800	Leased, month to month
Westminster, Colorado	Engineering & Construction, Field Solutions	73,000	Leased, expiring 2006 2 buildings
Corvallis, Oregon	Engineering & Construction	20,000	Owned, encumbered by $1.7M mortgage
		21,000	Leased, expiring 2006
Chandler, Arizona	Mobile Solutions	11,500	Leased, expiring 2004
Toronto, Canada	Portfolio Technologies	50,500	Leased, expiring 2004
Danderyd, Sweden	Engineering & Construction	93,900	Leased, expiring 2005
Christchurch, New Zealand	Engineering & Construction, Mobile Solutions, Field Solutions	65,000	Leased, expiring 2011 2 buildings
Jena, Germany	Engineering & Construction	28,700	Leased, no expiration date 12 months notice
Kaiserslautern, Germany	Engineering & Construction	26,000	Leased, expiring 2005
Raunheim, Germany	Sales	28,700	Leased, expiring 2011

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

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

Item 3 Legal Proceedings

* We are from time to time a party to disputes or litigation incidental to our business. We believe that our ultimate liability as a result of such disputes, if any, would not be material to our overall financial position, results of operations, or liquidity.

Item 4 Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of 2003.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

On January 22, 2004, our Board of Directors approved a 3-for-2 split of all outstanding shares of our common stock, payable March 4, 2004 to stockholders of record on February 17, 2004. All shares and per share information presented has been adjusted to reflect the stock split on a retroactive basis for all periods presented.

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

	2003 Sales Price		2002 Sales Price	
Quarter Ended	High	Low	High	Low
First quarter	$14.17	$8.68	$11.43	$7.84
Second quarter	18.50	12.43	12.33	9.98
Third quarter	19.57	14.97	10.00	6.85
Fourth quarter	25.60	13.49	9.65	5.35

As of January 2, 2004, there were approximately 1,055 holders of record of our common stock.

We made the following sales of unregistered securities during the year ended January 2, 2004.

Our merger agreement with LeveLite provides for us to make earn-out payments not to exceed an aggregate $3.9 million (in common stock and cash payment) based on certain future revenues and payments received. Upon a hearing before the California Department of Corporations in which the terms and conditions of the offer to the LeveLite shareholders were approved, the shares of Common Stock to be issued in the transaction were exempt from registration by reason of qualification under Section 3(a)(10) of the Securities Act of 1933, as amended.

We made the following earn-outs in common stock during fiscal 2003:

Date of issuance	Number of shares issued	Price
January 22, 2003	35,994	$ 9.35
April 23, 2003	26,549	13.86
July 29, 2003	20,679	16.52
October 27, 2003	19,842	15.25

On June 30, 2003, we issued 349,251 shares of common stock to Nikon-Trimble Co. Ltd. We issued these shares as a contribution to capital in the formation of Nikon-Trimble Co. Ltd. as a joint venture with Nikon Corporation. The shares were valued at $16.95 per share and were exempt from registration under Section 4(2) of the Securities Act of 1933, as amended, based on the nature of the purchaser and the nature of the arms-length negotiated transaction.

Dividend Policy

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

We are allowed to pay dividends and repurchase shares of our common stock up to 25% of net income in the previous fiscal year, under the existing terms of our credit facilities.

Equity Compensation Plan Information

The following table sets forth, as of January 2, 2004, the total number of securities outstanding under our stock option plans, the weighted average exercise price of such options, and the number of options available for grant under such plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders:			
Stock Option Plans....	7,600,787	$13.61	1,643,555
Equity compensation plans not approved by security holders...	-	-	-
Total....................	7,600,787	$13.61	1,643,555

Item 6. Selected Financial Data

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

We have significant intangible assets on our Consolidated Balance Sheets that include goodwill and other purchased intangibles related to acquisitions. At the beginning of fiscal 2002, we adopted Statement of Financial Accounting Standards No. 141 ("SFAS 141"), Business Combinations, and No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). Application of the non-amortization provisions of SFAS 142 significantly reduced amortization expense of purchased intangibles and goodwill to approximately $8.3 million for the fiscal year 2002 from $29.4 million in fiscal year 2001.

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001	December 29, 2000	December 31, 1999
(Dollar in thousands, except per share data)					
Revenue	$ 540,903	$ 466,602	$ 475,292	$ 369,798	$ 271,364
Gross margin	$ 268,030	$ 234,432	$ 237,235	$ 196,561	$ 144,247
Gross margin percentage	50%	50%	50%	53%	53%
Income (loss) from continuing operations	$ 38,485	$ 10,324	$ (23,492)	$ 14,185	$ 18,662
Gain on disposal of discontinued operations (net of tax)	$ -	$ -	$ 613	$ -	$ 2,931
Net income (loss)	$ 38,485	$ 10,324	$ (22,879)	$ 14,185	$ 21,593
Per common share: (1)					
Income (loss) from continuing operations					
- Basic	$ 0.81	$ 0.24	$ (0.63)	$ 0.40	$ 0.55
- Diluted	$ 0.77	$ 0.24	$ (0.63)	$ 0.37	$ 0.54
Gain on disposal of discontinued operations					

(net of tax)					
- Basic	$ -	$ -	$ 0.01	$ -	$ 0.09
- Diluted	$ -	$ -	$ 0.01	$ -	$ 0.09
Net income (loss)					
- Basic	$ 0.81	$ 0.24	$ (0.62)	$ 0.40	$ 0.64
- Diluted	$ 0.77	$ 0.24	$ (0.62)	$ 0.37	$ 0.63
Shares used in calculating basic earnings per share (1)	47,505	42,860	37,091	35,402	33,636
Shares used in calculating diluted earnings per share (1)	50,012	43,578	37,091	38,964	34,278
Cash dividends per share	$ -	$ -	$ -	$ -	$ -
Total assets	$ 544,903	$ 441,656	$ 419,395	$ 488,628	$ 181,751
Non-current portion of long term debt and other liabilities	$ 85,880	$ 114,051	$ 131,759	$ 143,553	$ 33,821

(1) Earnings per share and shares used in calculating earnings per share have been restated to reflect a three-for-two stock split in February 2004.

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

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

EXECUTIVE LEVEL OVERVIEW

We are a global provider of complete, integrated solutions that provide a seamless flow of position information both in the field and between the field and back office. To do this, we utilize advanced positioning technologies (including GPS, optical, inertial and laser technologies) combined with wireless communications and applications software, to get data points with accuracies down to several millimeters. This can increase productivity through time and cost savings, as the need for labor is reduced, rework from mistakes is less frequent, and the time to complete a job is shortened.

Our solutions businesses, Engineering and Construction, Field Solutions, and Mobile Solutions make up over 80% of our revenue. We believe our strength in these businesses stems from our ability to bring innovative products or solutions to the market, as well as effectively train and manage a global, third-party distribution channel that is proficient in selling technology solutions into markets that have historically utilized manual and low-tech processes.

In 2003 we extended our market and product capabilities through internal development, acquisitions, and alliances. In July, we established a joint venture with Nikon Corporation, which will extend our presence in the global construction positioning market. Our acquisitions of Applanix in July and MENSI in December added important new technologies which will enable us to develop new applications or broaden current application solutions. We also announced an alliance with CNH Global, which will significantly extend our distribution reach for our Autopilot agricultural product line.

Our other strategic business, Component Technologies, is different from the "solution businesses", as it seeks to either provide GPS technology directly to third parties, such as OEM's and system integrators, or to integrate GPS into other technologies, such as wireless. These products allow for higher functionality and therefore, a higher average selling price for our offerings. Through greater integration we see potential future growth opportunities. For example, our recently announced TrimTrac product integrates GPS and GSM cellular technologies into a fully functional location device. It establishes a new asset tracking or security capability at an aggressive price point and opens up a new class of customers and applications which were previously not available to us.

In 2003 we positioned ourselves in newer markets that will serve as important sources of future growth. Our efforts in China, India, Russia, Korea and Eastern Europe all reflected improving financial results, with the promise of more in the future.

With our improving profitability, we now have the opportunity to re-emphasize revenue growth. We expect this growth to come from the continuation of several trends that we saw in 2003. These trends include further penetrating existing markets with current and new products, continued geographic expansion into emerging markets such as Russia, China, India, Korea and Eastern Europe, taking advantage of market consolidation, improving competitive position due to offering complete solutions with a proficient dealer channel, and entering new markets with new products such as our TrimTrac (tm) locator and Recon products, fleet management services, and our inertial/GPS positioning and orientation systems acquired as part of Applanix.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our accounting policies are more fully described in Note 1 of the Notes to the Consolidated Financial Statements. The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements. We consider the accounting polices described below to be our critical accounting polices. These critical accounting policies are impacted significantly by judgments, assumptions, and estimates used in the preparation of the Consolidated Financial Statements, and actual results could differ materially from the amounts reported based on these policies.

Revenue Recognition

We recognize product revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is reasonably assured. In instances where final acceptance of the product is specified by the customer or is uncertain, revenue is deferred until all acceptance criteria have been met. Our total deferred revenue was $7.7 million and $6.0 million as of January 2, 2004 and January 3, 2003, respectively. Revenue is reduced by a sales return reserve as described under "Allowance for Doubtful Accounts and Sales Returns."

Revenue from purchased extended warranty and support agreements is deferred and recognized ratably over the term of the warranty/support period. Substantially all technology licenses and research revenue have consisted of initial license fees and royalties, which were recognized when earned, provided we had no remaining obligations.

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

Our shipment terms for US orders, and international orders fulfilled from our European distribution center are typically FCA (Free Carrier) shipping point, except certain sales to US government agencies which are shipped FOB destination. FCA shipping point means that we fulfill the obligation to deliver when the goods are handed over, cleared for export, and into the charge of the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, we may choose within the place or range stipulated where the carrier will take the goods into carrier's charge.

Other international orders are shipped FOB destination, which means these international orders are not recognized as revenue until the product is delivered and title has transferred to the buyer or FCA shipping point. FOB destination means that we bear all costs and risks of loss or damage to the goods up to that point. .

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

When a sale involves multiple elements, the entire fee from the arrangement is allocated to each respective element based on its relative fair value and recognized when revenue recognition criteria for each element are met. The amount of product revenue allocated to an individual element is limited to the lesser of its relative fair value or the amount not contingent on our delivery of other elements under the arrangement, regardless of the probability of our performance.

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

Allowance for Doubtful Accounts and Sales Returns

Our accounts receivable balance, net of allowance for doubtful accounts, was $96.2 million as of January 2, 2004, compared with $77.6 million as of January 3, 2003. The allowance for doubtful accounts as of January 2, 2004 was $10.0 million, compared with $9.9 million as of January 3, 2003. We evaluate the collectibility of our trade accounts receivable based on a number of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us, a specific allowance for bad debts is estimated and recorded which reduces the recognized receivable to the estimated amount we believe will ultimately be collected. In addition to specific customer identification of potential bad debts, bad debt charges are recorded based on our recent past loss history and an overall assessment of past due trade accounts receivable amounts outstanding.

A reserve for sales returns is established based on historical trends in product return rates experienced in the ordinary course of business. The reserve for sales returns as of January 2, 2004 and January 3, 2003 included $3.3 million and $2.7 million, respectively, for estimated future returns that were recorded as a reduction of our accounts receivable and revenue. If the actual future returns were to deviate from the historical data on which the reserve had been established, our revenue could be adversely affected.

Inventory Valuation

Our inventory balance was $70.8 million as of January 2, 2004, compared with $61.1 million as of January 3, 2003. Our inventory allowances as of January 2, 2004 were $25.9 million, compared with $25.2 million as of January 3, 2003. Our inventory is recorded at the lower of cost or market. We use a standard cost accounting system to value inventory and these standards are reviewed a minimum of once a year and multiple times a year in our most active manufacturing plants. We adjust the inventory value for estimated excess and obsolete

inventory based on our assessment of future demand and market conditions. If actual future demand or market conditions are less favorable than those projected by us, additional inventory write-downs may be required.

Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when it is determined to be more likely than not that some portion or all of the deferred tax assets will not be realized. In evaluating the need for a valuation allowance, we consider future taxable income, resolution of tax uncertainties and prudent and feasible tax planning strategies. In fiscal year 2003, we have recorded a deferred tax asset of $7.6 million that is more likely than not to be realized. We need to generate $20.0 million of future US income to realize the deferred tax asset.

If we determine that we would not be able to realize all or part of our deferred tax assets in the future, an adjustment to the carrying value of the deferred tax assets would be charged to income in the period in which such determination is made.

Our effective income tax rates from continuing operations for fiscal years 2003, 2002 and 2001 were (8%), 25% and (9%), respectively. The 2002 and 2001 income tax rates differ from the US federal statutory rate of 35%, due primarily to non-US taxes and the inability to realize the benefit of net operating losses. The 2003 income tax rate is less than the US federal statutory rate, due primarily to the realization of benefits from net operating losses and other previously reserved deferred tax assets.

Goodwill Impairment

Goodwill as of January 2, 2004 was $241.4 million, compared with $205.9 million as of January 3, 2003. We perform goodwill impairment tests on an annual basis for each reporting unit. Based on impairment tests performed, there was no impairment of our goodwill in fiscal 2003 and 2002.

For goodwill, the annual impairment evaluation includes a comparison of the carrying value of the reporting unit (including goodwill) to that reporting unit's fair value. If the reporting unit's estimated fair value exceeds the reporting unit's carrying value, no impairment of goodwill exists. If the fair value of the reporting unit does not exceed the unit's carrying value, then an additional analysis is performed to allocate the fair value of the reporting unit to all of the assets and liabilities of that unit as if that unit had been acquired in a business combination and the fair value of the unit was the purchase price. If the excess of the fair value of the reporting unit over the fair value of the identifiable assets and liabilities is less than the carrying value of the unit's goodwill, an impairment charge is recorded for the difference.

We cannot predict the occurrence of certain future events that might adversely affect the reported value of goodwill. Such events include, but are not limited to, strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on our customer base, or a material negative change in our relationships with significant customers.

Accounting for the Long-Lived Assets Including Intangibles Subject to Amortization

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

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

Warranty Costs

The liability for product warranties was $5.1 million as of January 2, 2004, compared with $6.4 million as of January 3, 2003. (See Note 1 of the Notes to the Consolidated Financial Statements for further information regarding our warranty liability.) The warranty periods for our products are generally between one and three years from date of shipment. Selected military programs may require extended warranty periods up to 5.5 years, certain TDS products have a five year or 90-day warranty period, and certain Nikon products have a five year warranty period. We accrue for warranty costs as part of our cost of sales based on associated material costs and technical support labor costs. Material cost is primarily estimated based upon historical trends in the volume of product returns within the warranty period and the cost to repair or replace the equipment.

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

Stock Compensation

We apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for our stock option plans and stock purchase plan. Accordingly, we do not recognize compensation cost for stock options granted at a price equal to fair market value. Note 13 of the Notes to the Consolidated Financial Statements describes the plans we operate, and Note 1 of the Notes to the Consolidated Financial Statements contains a summary of the pro forma effects to reported net income (loss) and earnings (loss) per share for fiscal 2003, 2002, and 2001 as if we had elected to recognize compensation cost based on the fair value of the options granted at grant date.

Investment in Joint Ventures

We have adopted the equity method of accounting for our investments in the Caterpillar and Nikon joint ventures. This requires that we record our share of the joint ventures' profits or losses in a given fiscal period. See Note 3 of the Notes to the Consolidated Financial Statements for joint venture accounting.

Upon the formation of our Caterpillar joint venture in April 2002, we received a cash distribution of $11.0 million. We have elected to treat the cash distribution as a deferred gain, being amortized to the extent that losses are attributable from the Caterpillar joint venture under the equity method described above. When and if the joint venture is profitable on a sustainable basis and future operating losses are not anticipated, then we will recognize as a gain, the portion of the $11.0 million, which is unamortized. To the extent that it is possible that we will have any future-funding obligation relating to the Caterpillar joint venture, then the relevant amount of the $11.0 million will be deferred until such time that the funding obligation no longer exists. As of January 2, 2004, the balance of the unamortized deferred gain was $9.8 million.

RECENT BUSINESS DEVELOPMENTS

Nikon-Trimble Joint Venture

On March 28, 2003, Trimble and Nikon Corporation entered into an agreement to form a joint venture in Japan, Nikon-Trimble Co., Ltd. ("Nikon-Trimble"), which would assume the operations of Nikon Geotecs Co., Ltd., a Japanese subsidiary of Nikon Corporation and Trimble Japan KK, our Japanese subsidiary. Nikon-Trimble began operations in July of 2003.

Under the terms of the Nikon-Trimble agreement, Nikon contributed (Y)1.2 billion (approximately US$10 million on June 30, 2003) in cash, while we contributed (Y)500 million (approximately US$4.1 million as of June 30, 2003) in cash and (Y)700 million of our common stock or 349,251 shares valued at approximately US$5.9 million on June 30, 2003. Nikon-Trimble purchased certain tangible and intangible assets from Nikon Geotecs Co., Ltd., and Trimble Japan KK.

Nikon-Trimble is 50% owned by us and 50% owned by Nikon, with equal voting rights for both. Nikon-Trimble focuses on the design and manufacture of surveying instruments including mechanical total stations and related products. In Japan, this joint venture will distribute Nikon's survey products as well as our GPS survey products and other Engineering and Construction products, including robotic total stations. Outside Japan, we will be the exclusive distributor of Nikon survey and construction products.

* We expect the joint venture to enhance our market position in survey instruments through geographic expansion and market penetration. Nikon's line of instruments will broaden our survey and construction product portfolio and enable us to better access emerging markets. It will also provide us with the ability to sell our GPS and robotic technology to existing Nikon customers. Additionally, we expect to improve our market position in Japan because of the Nikon-Trimble distribution network.

Acquisitions

Applanix Corporation

* On July 7, 2003, we acquired privately held Applanix Corporation, a Canadian developer of systems that integrate inertial navigation system and GPS technologies. We expect the Applanix acquisition to extend our technology portfolio and enable increased robustness and capabilities in our future positioning products. Applanix's performance is reported under our Portfolio Technologies segment.

MENSI S.A.

* On December 9, 2003, we acquired privately held MENSI S.A., a French developer of terrestrial 3D laser scanning technology. We expect the MENSI acquisition to enhance our technology portfolio and expand our product offerings. MENSI's performance is reported under our Engineering and Construction segment.

The combined purchase price of Applanix and MENSI was approximately $25 million.

TracerNET Corporation

* On March 5, 2004, we acquired privately held TracerNET Corporation of Virginia, a provider of wireless fleet management solutions. We expect the TracerNET acquisition to offer more diverse and complete fleet management solutions. TracerNET's performance will be reported under our Mobile Solutions segment.

RESULTS OF OPERATIONS

The following table shows revenue and operating income by segment for the periods indicated and should be read in conjunction with the narrative descriptions below. Operating income by segment excludes unallocated corporate expenses which are comprised primarily of general and administrative costs, amortization of purchased intangibles as well as other items not controlled by the business segment. Segment operating income for fiscal 2002 and fiscal 2001 have been restated to reflect the allocations of certain corporate expenses so as to be comparable with the allocation methodology in fiscal 2003.

At the beginning of fiscal 2003, we realigned two of our reportable segments. The following table shows restated revenue and operating income by segment to reflect this realignment. The Tripod Data Systems business is now included in the Engineering and Construction segment and was previously included in the Portfolio Technologies segment.

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001
(Dollars in thousands)			
Total consolidated revenue	$540,903	$466,602	$475,292
Total consolidated operating income	$83,586	$62,320	$62,306
Engineering and Construction			
Revenue	$367,058	$319,615	$317,849
Segment revenue as a percent of total revenue	68%	68%	67%
Operating income	60,664	53,453	49,849
Operating income as a percent of segment revenue	17%	17%	16%
Field Solutions			
Revenue	79,879	67,259	68,519
Segment revenue as a percent of total revenue	15%	14%	14%
Operating income	14,500	9,676	11,349
Operating income as a percent of segment revenue	18%	14%	17%
Mobile Solutions			
Revenue	12,981	8,486	13,791
Revenue as a percent of total consolidated revenue	2%	2%	3%
Operating loss	(6,452)	(12,039)	(9,990)
Operating loss as a percent of segment revenue	(50%)	(142%)	(72%)
Component Technologies			
Revenue	64,193	59,755	58,083
Segment revenue as a percent of total revenue	12%	13%	12%
Operating income	16,560	10,673	10,359
Operating income as a percent of segment revenue	26%	18%	18%
Portfolio Technologies			
Revenue	16,792	11,487	17,050
Segment revenue as a percent of total revenue	3%	2%	4%
Operating income (loss)	(1,686)	557	738
Operating income (loss) as a percent of segment revenue	(10%)	5%	4%

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

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001
(In thousands)			
Consolidated segment operating income from continuing operations	$ 83,586	$ 62,320	$ 62,306
Unallocated corporate expense	(20,320)	(19,098)	(29,137)
Amortization of purchased intangible assets	(7,312)	(8,300)	(29,389)
Restructuring charges	(2,019)	(1,099)	(3,599)
Non-operating expense, net	(18,350)	(19,999)	(21,773)
Consolidated income (loss) before income taxes	$ 35,585	$ 13,824	$ (21,592)

Basis of Presentation

We have a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2003 was January 2, 2004. Fiscal 2003 was a 52-week year and fiscal 2002 a 53-week year. As a result of the extra week in fiscal 2002, year-over-year results are not exactly comparable. Thus, due to the inherent nature of adopting a 52-53 week fiscal year, the Company, analysts, shareholders, investors, and others will have to make appropriate adjustments to any analysis performed when comparing our activities and results in fiscal years that contain 53 weeks to those that contain the standard 52 weeks. Fiscal year 2001 comprised 52 weeks.

Impact of Weaker US Dollar on Operating Income in Fiscal 2003

The depreciation of the US dollar versus major European currencies positively impacted revenues by approximately $15.3 million in fiscal 2003 compared with fiscal 2002. As a result of our significant manufacturing, distribution, research and development, and selling expenses incurred outside of the US, the weaker US dollar negatively impacted our operating income by approximately $5.9 million in fiscal 2003.

Revenue

In fiscal 2003, total revenue increased by $74.3 million or 15.9% to $540.9 million from $466.6 million in fiscal 2002. The increase in fiscal 2003 was primarily due to stronger performances in all of our operating segments driven by the new product offerings, increased acceptance of our products in the markets we serve, expanded distribution and selective acquisitions, as well the positive impact of the weaker US dollar on revenues generated in foreign currencies, primarily the Euro. Total revenue in fiscal 2002 decreased by $8.7 million or 1.8% to $466.6 million from $475.3 million in fiscal 2001, primarily due to the reduction of revenue in Mobile Solutions and Portfolio Technologies segments.

International Revenues

* Total revenue outside the United States comprised approximately 51% in 2003, 49% in 2002, and 50% in 2001. During the 2003 fiscal year, North and South America represented 56%, Europe, the Middle East and Africa represented 31%, and Asia represented 13% of total revenues. In fiscal 2003, the United States comprised approximately 49% of total revenues. We anticipate that sales to international customers will continue to account for a significant portion of our revenue. For this reason, we are subject to the risks inherent in these foreign sales, including unexpected changes in regulatory requirements, exchange rates, governmental approval, tariffs, or other barriers. Even though the US Government announced on March 29, 1996, that it supports and maintains the GPS system, and on May 1, 2000, stated that it has no intent to restore Selective Availability, a method of degrading GPS accuracy, there may be reluctance in certain non-US markets to purchase such products given the control of GPS by the US Government. Our results of operations could be adversely affected if we were unable to continue to generate significant sales in locations outside the US.

* No single customer accounted for 10% or more of our total revenues in fiscal 2003, 2002, and 2001. It is possible, however, that in future periods the failure of one or more large customers to purchase products in quantities anticipated by us may adversely affect the results of operations.

Gross Margin

Our gross margin varies due to a number of factors including product mix, international sales mix, customer type, the effects of production volumes and fixed manufacturing costs on unit product costs, new product start-up costs, and foreign currency translations. Gross margin as a percentage of total revenues was 49.6 % in fiscal 2003 and 50.2% in fiscal 2002. The slight decrease in gross margin percentage for fiscal 2003, compared with fiscal 2002, was due primarily to the introduction of the Nikon products in the third quarter which generated a lower consolidated gross margin of approximately 0.8%. This was partially offset by stronger sales of TDS, GIS, wireless infrastructure, survey products as well as our ongoing focus on product cost reductions. Shipping and handling costs are included in cost of goods sold.

Gross margin as a percentage of total revenues was 50.2% in fiscal 2002 and 49.9% in fiscal 2001. The slight increase in gross margin percentage for fiscal 2002, compared with fiscal 2001, was due in part to approximately $3.3 million of additional charges associated with the write down of obsolete inventory in fiscal 2001 related to the rationalization and simplification of product lines and inventories in excess of our forecasted 12-month demand.

* Because of potential product mix changes within and among the industry markets, market pressures on unit selling prices, fluctuations in unit manufacturing costs, including increases in component prices and other factors, current level gross margins cannot be assured. In addition, should the global economic conditions deteriorate, gross margin could be further adversely impacted.

Engineering and Construction

Engineering and Construction revenues increased by $47.4 million or 14.8% while segment operating income increased by $7.2 million or 13.5% for fiscal 2003 as compared to fiscal 2002. Approximately half of the revenue increase was driven by new product introductions and our increased marketing efforts. The remaining increase was split evenly between geographic expansion, especially in Asia and Russia, and the impact of the weaker US dollar. Segment operating income increased due to higher revenues that were partially offset by increased operating expenses outside the United States (largely driven by the weaker US dollar), increased research and development spending on certain programs as we continue to invest in developing next generation technology and lower margins earned on the sale of Nikon products. Overall, segment operating income remained consistent at 17% of revenues.

Engineering and Construction revenues increased by $1.8 million or 0.6% during fiscal 2002 as compared to fiscal 2001 primarily due to the LeveLite acquisition which added $3.6 million of revenues, and strong performance by our machine control product offering as we continue to penetrate the after-market for machine guidance on earthmoving equipment. Increased revenues were partially offset by a reduction in revenues in several product areas due to continued difficult global economic conditions. Segment operating income increased by $3.6 million or 7.2% in fiscal 2002 over fiscal 2001 primarily due to a reduction of $4.2 million of operating expenses due to the transfer of employee-related expenses to Caterpillar Trimble Control Technologies. Higher revenues and lower operating expenses were partially offset by a reduction in gross margin as a result of product sales mix during fiscal 2002.

Field Solutions

Field Solutions revenues increased by approximately $12.6 million or 18.8% while segment operating income increased by $4.8 million or 49.9% for fiscal year 2003 as compared to fiscal 2002. Revenues were up year over year due to continued strong sales of the GeoExplorer(R) CE series handhelds released at the end of fiscal 2002, and due to the expansion of our automatic guidance products onto new agricultural vehicles.

Segment operating income increased in 2003 from the fiscal year 2002 primarily due to higher revenues. This increase was partially offset by fractionally lower gross margins and more investment in research and development and sales functions. This enabled the segment operating income to increase from 14% to 18% of revenues.

Field Solutions experienced a revenue decline in fiscal 2002 of $1.3 million or 1.8% compared with fiscal 2001 primarily due to the decline in the United States federal, state, and local government spending and a delay in the release of the new GeoExplorer(R) CE Series due to component supply issues. This decrease was partially offset by the increased demand for both the manual and auto guidance product lines. Segment operating income decreased by $1.7 million or 14.7% in fiscal 2002 over fiscal 2001 primarily due to the decrease in government spending described above and lower gross margin due to product sales mix, which was more weighted toward the relatively lower margin agricultural business area.

Mobile Solutions

Mobile Solutions revenues increased by $4.5 million or 53% in fiscal 2003 over fiscal 2002 due primarily to an increase in our CrossCheck product sales and higher fleet management services revenues as a result of an expanded customer base. Segment operating loss decreased by $5.6 million or 46.4% in fiscal 2003 over fiscal 2002 due to increased revenues and lower operating expenses. Operating expenses decreased by approximately $3.0 million primarily due to a reduction in outside services and our personnel related to the completion of our Telvisant system.

Mobile Solutions revenues decreased by $5.3 million or 38.5% in fiscal 2002 over fiscal 2001 primarily due to the reduction of approximately $3.0 million in our satellite communications business as a result of our decision to discontinue the Galaxy(TM) Inmarsat-C product line in early 2001, a slow down in system integration projects due to reduced spending at municipalities, and reduced sales of wireless products of $0.9 million due to a transition from a sensor provider to a fully integrated service provider. Sales of some product lines were down as a result of the economic slow down and the shift of technology from analog to digital.

Segment operating loss increased by $2.0 million or 20.5% in fiscal 2002 over fiscal 2001 primarily due to the lower revenues as described above, and increased costs incurred in the development and marketing of a service platform to enable a range of asset management solutions.

Component Technologies

Component Technologies revenues increased by $4.4 million or 7.4%, while segment operating income increased by $5.9 million or 55.2% for the fiscal year 2003 as compared to fiscal 2002. The increase in revenues was primarily due to increased demand from our existing wireless infrastructure customers. Segment operating income increased from 18% to 26% of revenues. The increase was primarily due to a reduction in costs of goods sold due to the transfer of the manufacturing of our products to China, reduced costs of raw materials, increased revenues and higher margins aided by favorable product mix.

Component Technologies revenues increased by $1.7 million or 2.9% in fiscal 2002 over fiscal 2001 due primarily to a timing products increase of $4.6 million in fiscal 2002 over fiscal 2001 due to significant demand during the second half of fiscal 2002 from new and existing wireless infrastructure customers. IVN revenue decreased $1.0 million in fiscal 2002 over fiscal 2001 as average selling prices declined by more than 9%, and license revenue decreased $1.7 million in fiscal 2002 over fiscal 2001 due to an expired license contract. Component Technologies operating income increased by $0.3 million or 3% in fiscal 2002 over fiscal 2001 as a result of higher gross margins resulting from higher revenues and favorable product mix, partially offset by higher operating expenses, primarily in research and development and marketing.

Portfolio Technologies

Portfolio Technologies revenues increased by $5.3 million or 46.2% for the fiscal year 2003 as compared to fiscal 2002. The increase in revenues was mostly driven by the inclusion of revenue from Applanix acquired in 2003, while offset by lower revenue of military-related products. Segment operating income decreased by $2.2 million or 402.7% for fiscal 2003 as compared to fiscal 2002 due to weaker operating results from military products.

Portfolio Technologies revenues decreased by $5.6 million or 32.6% in fiscal 2002 over fiscal 2001 primarily due to lost revenues of $4.4 million as a result of the sale of our air transport product line to Honeywell in fiscal 2001. Portfolio Technologies operating income decreased by $0.2 million or 24.5% in fiscal 2002 over fiscal 2001 due to the lower revenues which was offset by cost reduction initiatives.

Operating Expenses

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

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001
(In thousands)			
Research and development	$ 67,641	$ 61,232	$ 62,881
Sales and marketing	97,870	89,344	103,778
General and administrative	39,253	40,634	37,407
Restructuring charges	2,019	1,099	3,599
Amortization of goodwill and other purchased intangible assets	7,312	8,300	29,389
Total operating expenses	$ 214,095	$ 200,609	$ 237,054

Research and Development

Research and development expenses increased by $6.4 million to $67.6 million in fiscal 2003 over fiscal 2002 due to continued investment in next generation technology primarily in the Engineering and Construction segment, the weakness of the US dollar versus major European and New Zealand currencies, and also the inclusion of the research and development expenses from Applanix after the acquisition in July 2003. Overall spending remained relatively constant at approximately 13% of revenues. All of our research and development costs have been expensed as incurred.

Research and development spending decreased by $1.6 million during fiscal 2002 as compared to fiscal 2001 and represented 13% of revenue, consistent with 13% in fiscal 2001, primarily due to the transfer of employee-related expenses to our Caterpillar joint venture of approximately $2.8 million, partially offset by an increase in engineering expenses associated with the introduction of new products.

* We believe that the development and introduction of new products are critical

to the our future success and we expect to continue active development of new products.

Sales and Marketing

Sales and marketing expenses increased by $8.5 million to $97.9 million in fiscal 2003 over fiscal 2002 primarily due to higher revenue, increased sales efforts mostly in emerging geographic areas such as China and Russia, the impact of the weaker US dollar in Europe, and the inclusion of Applanix sales and marketing expenses not applicable in the prior fiscal year. As a percentage of revenue, sales and marketing expenses decreased from 19% to 18%.

Sales and marketing expenses decreased by $14.4 million in fiscal 2002 and represented 19% of revenue, compared with 22% in fiscal 2001. During fiscal 2001, we sold off many of our direct sales offices which decreased sales and marketing expenses by approximately $7.0 million for fiscal 2002, and we decreased overall compensation, travel, advertising, promotional, and trade show expenses by approximately $7.4 million for fiscal 2002 compared to the corresponding period in fiscal 2001.

* Our future growth will depend in part on the timely development and continued viability of the markets in which we currently compete as well as our ability to continue to identify and exploit new markets for our products.

General and Administrative

General and administrative expenses in fiscal 2003 decreased by $1.4 million to $39.3 million and represented 7.3% of revenues compared with 8.7% in fiscal 2002. In fiscal 2002, we experienced higher bad debt expenses, primarily due to the bankruptcy of a large Japanese distributor. In addition, in fiscal 2003 we incurred $3.0 million less in information systems expenses. These reductions were offset in fiscal 2003 by lower sublease income received, expenses from Applanix after the acquisition in July 2003, and higher compensation costs.

General and administrative expenses increased by $3.2 million in fiscal 2002 representing 9% of revenue, compared with 8% in fiscal 2001 primarily due to an increase in bad debt provisions related to customers in an uncertain economic environment and bad debt expenses for accounts written off during the year due to customer defaults.

Restructuring Charges

Restructuring charges of $2.0 million were recorded in fiscal 2003, $1.1 million in fiscal 2002, and $3.6 million in fiscal 2001, all of which related to severance costs, except for $0.3 in 2003 which related to lease costs of our Japanese office closure due to the Nikon joint venture. As a result of the restructuring activities, our headcount decreased by 77, 49, and 207 in fiscal 2003, 2002, and 2001, respectively. As of January 2, 2004, the restructuring accrual balance was approximately $0.4 million which will be paid over the remaining term of the lease through 2006.

Amortization of Goodwill, Purchased and Other Intangible Assets

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001
(in thousands)			
Amortization of goodwill and purchased intangibles(1)	$ 7,312	$ 8,300	$ 29,389
Amortization of other intangible assets	604	868	917
Total amortization of goodwill, purchased, and other intangible assets	$ 7,916	$ 9,168	$ 30,306

(1) Amortization of goodwill in 2001 only.

Amortization expense of purchased and other intangibles decreased in fiscal 2003 by approximately $1.3 million representing 1.5% of revenue, compared with 2% in fiscal 2002. The decrease was due to certain Spectra intangibles being fully amortized during fiscal 2003.

Amortization expense of goodwill, purchased, and other intangibles decreased in fiscal 2002 by approximately $21.1 million representing 2% of revenue, compared with 6% in fiscal 2001. The decrease was primarily due to the adoption of FAS 142 in fiscal 2002 that does not require the amortization of goodwill and intangible assets with indefinite lives.

Non-operating Expense, Net

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

Fiscal Years Ended (in thousands)	January 2, 2004	January 3, 2003	December 28, 2001
Interest income	$ 465	$ 659	$ 1,118
Interest expense	(11,938)	(14,710)	(22,224)
Foreign exchange loss	(592)	(823)	(237)
Expenses for affiliated operations, net	(6,403)	(3,954)	-
Other income (expense)	118	(1,171)	(430)
Total non-operating expense, net	$ (18,350)	$(19,999)	$ (21,773)

Non-operating expense, net decreased by $1.6 million or 8% during fiscal 2003 as compared with fiscal 2002 primarily due to a reduction in interest expense of $2.8 million offset by an increase in expenses for affiliated operations. The

increase in expenses for affiliated operations is primarily due to the full year impact of transfer pricing effects on transactions between us and our Caterpillar joint venture, which commenced operations in April 2002. (See Note 3 of the Notes to the Consolidated Financial Statements for financial information regarding joint ventures). In addition, we recorded approximately $0.3 million relating to our share of the losses in our Nikon joint venture established in 2003.

In fiscal 2003, interest expense decreased by approximately $2.8 million due to continued debt repayment during the year of approximately $51.8 million, combined with the effect of lower interest rates. Offsetting the lower debt interest, during the year, we recorded approximately $3.6 million of interest expense due to the write off of $2.3 million of unamortized debt issuance costs as a result of our debt refinancing in June 2003, as well as $1.3 million related to the unamortized portion of warrants associated with the principal balance of our Subordinated Note. (See Note 9 of the Notes to the Consolidated Financial Statements for financial information regarding our Subordinated Note.)

Non-operating expense, net decreased by $1.8 million during fiscal 2002 as compared with fiscal 2001, as a result of a decrease in net interest expense of $7.1 million due to significant repayment of debt balances during the year of approximately $52 million, combined with the effect of lower interest rates. This was partially offset by expenses recorded for affiliated operations of $4.0 million as a result of transfer pricing effects on transactions between us and our Caterpillar joint venture, an increase in foreign exchange loss of $0.6 million, and a write-down of minority investment of $1.5 million.

Income Tax Provision

Our effective income tax rates from continuing operations for fiscal years 2003, 2002, and 2001 were (8%), 25% and (9%), respectively. The fiscal 2002 and 2001 income tax rates differ from the US federal statutory rate of 35% due primarily to non-US taxes and the inability to realize the benefit of net operating losses. The 2003 income tax rate is less than the US federal statutory rate, primarily due to the realization of benefits from net operating losses and other previously reserved deferred tax assets.

Litigation Matters

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

Off-balance Sheet 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 consolidated financial statements. Additionally, we do not have any interest in, or relationship with, any special purpose entities.

LIQUIDITY AND CAPITAL RESOURCES

January 2, January 3, December 28,

As of and for the Fiscal Year Ended	2004	2003	2001
(dollars in thousands)			
Cash and cash equivalents	$ 45,416	$ 28,679	$ 31,078
As a percentage of total assets	8.3%	6.5%	7.4%
Accounts receivable days sales outstanding (DSO)	60	58	53
Inventory turns per year	4	5	4
Total debt	$ 90,486	$ 138,525	$ 190,565
Cash provided by operating activities	$ 36,460	$ 32,316	$ 26,370
Cash used by investing activities	$(22,653)	$ (5,766)	$(11,441)
Cash provided (used) by financing activities	$ 54	$(31,729)	$(23,450)
Net increase/(decrease) in cash and cash equivalents	$ 16,737	$ (2,399)	$ (9,798)

Cash and Cash Equivalents

In fiscal 2003, our cash and cash equivalents increased by $16.7 million from fiscal 2002. The increase was primarily due to cash generated by operating activities, partially offset by cash used in investing activities.

In fiscal 2003, cash provided by operating activities was $36.5 million, as compared to $32.3 million in fiscal 2002. The increase of $4.1 million was primarily driven by the $28.2 million increase in net income during fiscal 2003 compared to fiscal 2002 offset by an increase in accounts receivable and inventory and a decrease in accounts payable. Also, fiscal 2002 was positively impacted by a special one-time distribution of $11.0 million to us from our Caterpillar joint venture. Our ability to continue to generate cash from operations will depend in large part on profitability, the rate of collections of accounts receivable, our inventory turns, and our ability to manage other areas of working capital. Our accounts receivable days for sales outstanding increased from 58 days at the end of fiscal 2002 to 60 days at the end of fiscal 2003. Our inventory turns decreased from five at the end of fiscal 2002 to four at the end of fiscal 2003.

Cash used in investing activities were $22.7 million in fiscal 2003 as compared to $5.8 million in fiscal 2002. The increase was primarily due to approximately $4.8 million invested in our Nikon joint venture upon its formation, $2.2 million and $4.3 million cash outlays related to our acquisitions of Applanix and MENSI, respectively, certain earn-out payments made as a result of our previous LeveLite acquisition, and increased expenditure on capital equipment. During fiscal 2003, we spent approximately $10.9 million on capital expenditures.

Cash provided by financing activities, net, was neutral in fiscal 2003, as compared to $31.7 million cash used in fiscal 2002. However during fiscal 2003, we repaid approximately $69 million of debt-related to our previous Subordinated Note and Credit Facility. These debt payments were funded primarily by proceeds from the issuance of common stock to employees pursuant to our stock option plan and employee stock purchase plan of approximately $13.9 million, as well as issuance of common stock under a private equity placement of $38.3 million. On April 14, 2003, we sold 3,148,000 shares of our common stock, no par value per share, to an investor at a price of $12.17 per share in an offering pursuant to our shelf registration statement. The offering resulted in net proceeds to us of approximately $36.6 million, approximately $31 million of which was used to pay down the principal balance on the Subordinated Note and $5.6 million was used to pay down the accrued interest on that Note.

* We believe that our cash and cash equivalents, together with our credit facilities, will be sufficient to meet our anticipated operating cash needs for at least the next twelve months. At January 2, 2004, we had $45.4 million of cash and cash equivalents as well as access to $81 million of cash under the terms of our revolver loans.

* We expect fiscal 2004 capital expenditures to be approximately $12 million to $14 million, primarily for computer equipment, software, manufacturing tools and test equipment, and leasehold improvements associated with business expansion. Decisions related to how much cash is used for investing are influenced by the expected amount of cash to be provided by operations.

Debt

At the end of fiscal 2003, our total debt was approximately $90.5 million as compared with approximately $138.5 million at the end of fiscal 2002. This balance primarily consists of $43.8 million outstanding under a term loan and $44.0 million outstanding under a senior secured revolving credit facility. On June 25, 2003, we obtained a new Credit Facility (comprising of a term loan and revolver) in the amount of $109 million that enabled us to pay off our indebtedness under our previous credit facility and the Subordinated Note.

The new Credit Facility is secured by all material assets of our Company, except for a portion of assets that are not pledged due to foreign tax considerations. Financial covenants of the Credit Facility include leverage, fixed charge, and minimum net worth tests. At January 2, 2004 and as of the date of this report, we are in compliance with all debt covenants. The amortized principal, interest, and commitment fees due under the Credit Facility are paid quarterly. Under the four-year term loan portion of the Credit Facility, we are due to make payments (excluding interest) of approximately $12.5 million in each of the next three fiscal years (2004, 2005, and 2006), and $6.3 million in fiscal 2007.

Under the terms of the Credit Facility, we are allowed to pay dividends and repurchase shares of our common stock up to 25% of net income in the previous fiscal year. For additional discussion of our debt, see Note 9 of Notes to the Consolidated Financial Statements.

CONTRACTUAL OBLIGATIONS

The following table summarizes our future payment obligations:

Contractual Obligations	Total	Less than 1 year	1-3 Years	3-5 years	More than 5 years
(in thousands)					
Total debt including interest	$ 99,941	$ 17,310	$ 73,570	$ 7,851	$ 1,210
Operating leases	28,141	10,129	11,723	3,132	3,157
Purchase obligations	33,062	31,485	1,577	-	-
Total	$ 161,144	$ 58,924	$ 86,870	$ 10,983	$ 4,367

* As of January 2, 2004, $65.9 million of our total debt was subject to variable quarterly interest rates. Per our loan agreement, we pay a three-month LIBOR rate plus a certain spread that depends on our leverage ratio. Our spread is expected to be 1.5% over the remaining life of our obligation of the debt. We have assumed a three-month LIBOR rate of 1.20% for each quarter in fiscal 2004 and have forecasted an increase of 25 basis points quarter over quarter to a maximum of 3.25%. (See Note 9 of the Notes to the Consolidated Financial Statements for further financial information regarding long-term debt)

Purchase obligations represent open purchase orders for material purchases with our customers. Our pension obligation which is not included in the table above, and is included in "Other non-current liabilities" on our Consolidated Balance Sheets, is disclosed at Note 14 of the Notes to the Consolidated Financial Statements.

New Accounting Standards

In November of 2002, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." EITF Issue No. 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services, and/or rights to use assets. The provisions of EITF Issue No. 00-21 apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. Adoption of EITF Issue No. 00-21 did not have a material effect on our results.

Financial Accounting Standards Board (FASB) Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities," was issued in January 2003, and a revised interpretation of FIN 46 (FIN 46-R) was issued in December 2003. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The provisions of FIN 46 are effective immediately for all arrangements entered into after January 31, 2003. Since January 31, 2003, we have not obtained any variable interests in any entities we believe are variable interest entities. For arrangements entered into prior to February 1, 2003, we are required to adopt the provisions of FIN 46-R in the first quarter of fiscal 2004. We are in the process of determining the effect, if any, the adoption of FIN 46-R will have on our financial statements.

In April 2003, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of this Statement did not have an effect on our financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. Many of these instruments were previously classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise was effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of this Statement did not have an effect on our financial statements.

RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

Our current contract with Solectron continues in effect until either party gives the other ninety days written notice.

Solectron is assembling all of our Component Technologies products in China. Although this initiative in China has brought cost savings over assembling in California, we may experience quality control issues, shipping delays, or other problems associated with manufacturing in China.

In addition, we rely on sole suppliers for a number of our critical components.

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

Our Annual and Quarterly Performance May Fluctuate.

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

- changes in market demand,
- competitive market conditions,
- market acceptance of existing or new products,
- fluctuations in foreign currency exchange rates,
- the cost and availability of components,
- our ability to manufacture and ship products,
- the mix of our customer base and sales channels,
- the mix of products sold,
- our ability to expand our sales and marketing organization effectively,
- our ability to attract and retain key technical and managerial employees,
- the timing of shipments of products under contracts and sale of licensing rights, and
- general global economic conditions.

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

Our Gross Margin Is Subject to Fluctuation.

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

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

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

Our Substantial Indebtedness Could Materially Restrict Our Operations and Adversely Affect Our Financial Condition.

We now have, and for the foreseeable future expect to have, a significant level of indebtedness. Our substantial indebtedness could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future working capital, capital expenditures, research and development and other general corporate requirements, or to make certain investments that could benefit us;
- require us to dedicate a substantial portion of our cash flow to service interest and principal payments on our debt;
- limit our flexibility to react to changes in our business and the industry in which we operate; and
- limit our ability to borrow additional funds.

Our Credit Agreement Contains Financial Covenants.

On June 25, 2003, we executed a Credit Agreement with Scotia Capital and certain other banks which provides for financial commitments totaling up to $175 million. This credit facility contains financial covenants regarding minimum fixed charge coverage and maximum leverage ratio which are extremely sensitive to changes in earnings before interest, taxes, depreciation and amortization, or EBITDA. In turn, EBITDA is highly correlated to revenues and costs. If we default on one or more covenants, we will have to obtain either negotiated waivers or amendments to the Credit Agreement. If we were unable to obtain such waivers or amendments, the banks would have the right to accelerate the payment of our outstanding obligations under the Credit Agreement which would have a material adverse effect on our financial condition and viability as an operating company. In addition, a default under one of our debt instruments may also trigger cross defaults under our other debt instruments. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us.

We Rely on Key Customers.

We generate a portion of our revenue from large original equipment manufacturers such as Siemens VDO Automotive AG and Nortel. A reduction or loss of business with these customers could have a material adverse effect on our financial condition and results of operations. There can be no assurance that we will be able to continue to realize value from these relationships in the future.

We Are Dependent on New Products.

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

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

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

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

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

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

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

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

We have certain products, such as GPS RTK systems, surveying and mapping systems, and Robotic Total Stations, that use integrated radio communication technology requiring access to available radio frequencies allocated by the FCC (or the NTIA in the case of federal government users of this equipment) for which the end user is required to obtain a license in order to operate their equipment. In addition, access to these frequencies by state agencies is under management by state radio communications coordinators. Some bands are experiencing congestion that excludes their availability for access by state agencies in some states, including the State of California. To reduce congestion, the FCC announced that it will require migration of radio technology from wideband to narrowband operations in these bands. In December 2003, the FCC stayed the effectiveness of its new rules until it acts on petitions requesting a reconsideration of this new requirement. The stay is indefinite at this point and the outcome of this proceeding is unknown at this time. An inability to obtain access to these radio frequencies by end users, and for new products to comply with FCC requirements, could have an adverse effect on our operating results.

Many of Our Products Rely on the GPS Satellite System.

The GPS satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The satellites were originally designed to have lives of 7.5 years and are subject to damage by the hostile space environment in which they operate. However, of the current deployment of 28 satellites in place, some have already been in operation for 13 years. To repair damaged or malfunctioning satellites is currently not economically feasible. If a significant number of satellites were to become inoperable, there could be a substantial delay before they are replaced with new satellites. A reduction in the number of operating satellites may impair the current utility of the GPS system and the growth of current and additional market opportunities.

In addition, there can be no assurance that the US Government will remain committed to the operation and maintenance of GPS satellites over a long period, or that the policies of the US Government for the use of GPS without charge will remain unchanged. However, a 1996 Presidential Decision Directive marks the first time in the evolution of GPS that access for civilian use free of direct user fees is specifically recognized and supported by Presidential policy. In addition, Presidential policy has been complemented by corresponding legislation, signed into law. Because of ever-increasing commercial applications of GPS, other US Government agencies may become involved in the administration or the regulation of the use of GPS signals. Any of the foregoing factors could affect the willingness of buyers of our products to select GPS-based systems instead of products based on competing technologies.

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

Any resulting change in market demand for GPS products could have a material adverse effect on our financial results. For example, European governments have expressed interest in building an independent satellite navigation system, known as Galileo. Depending on the as yet undetermined design and operation of this system, there may be interference to the delivery of the GPS SPS and may materially and adversely affect the utility and reliability of our products which could result in a material adverse effect on our business and operating results.

We Face Risks in Investing in and Integrating New Acquisitions.

Acquisitions of companies, divisions of companies, or products entail numerous risks, including:

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

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

We Face Competition in Our Markets.

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

We Are Dependent on Proprietary Technology.

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

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

The value of our products relies substantially on our technical innovation in fields in which there are many current patent filings. We recognize that as new patents are issued or are brought to our attention by the holders of such patents, it may be necessary for us to withdraw products from the market, take a license from such patent holders, or redesign our products. We do not believe any of our products currently infringe patents or other proprietary rights of third parties, but we cannot be certain they do not do so. In addition, the legal costs and engineering time required to safeguard intellectual property or to defend against litigation could become a significant expense of operations. Such events could have a material adverse effect on our revenues or profitability.

We Must Carefully Manage Our Future Growth.

Growth in our sales or continued expansion in the scope of our operations could strain our current management, financial, manufacturing and other resources, and may require us to implement and improve a variety of operating, financial and other systems, procedures, and controls. Specifically we have experienced strain in our financial and order management system. We are expanding our sales, accounting, manufacturing, and other information systems to meet these challenges. These systems, procedures, or controls may not be adequate to support our operations and may not be designed, implemented, or improved in a cost-effective and timely manner. Any failure to implement, improve and expand such systems, procedures, and controls in a timely and efficient manner could harm our growth strategy and adversely affect our financial condition and ability to achieve our business objectives.

We Are Dependent on Retaining and Attracting Highly Skilled Development and Managerial Personnel.

Our ability to maintain our competitive technological position will depend, in a large part, on our ability to attract, motivate, and retain highly qualified development and managerial personnel. Competition for qualified employees in our industry and location is intense, and there can be no assurance that we will be able to attract, motivate, and retain enough qualified employees necessary for the future continued development of our business and products.

We May Encounter Problems Associated With International Operations and Sales.

Our customers are located throughout the world. Sales to unaffiliated customers in non-US locations represented approximately 51% of our revenues in our fiscal year 2003, 49% in our fiscal year 2002 and 50% in our fiscal year 2001. In addition, we have significant international operations, including manufacturing facilities, sales personnel and customer support operations. We have sales offices outside the US. Our non-US manufacturing facilities are in Sweden and Germany, and we have a regional fulfillment center in the Netherlands. Our non-US presence exposes us to risks not faced by wholly US companies.

Specifically, we have experienced issues relating to integration of non-US operations, greater difficulty in accounts receivable collection, longer payment cycles, and currency fluctuations. Additionally, we face the following risks, among others:

- unexpected changes in regulatory requirements;
- tariffs and other trade barriers;
- political, legal and economic instability in non-US markets, particularly in those markets in which we maintain manufacturing and research facilities;
- difficulties in staffing and management;
- language and cultural barriers;
- seasonal reductions in business activities in the summer months in Europe and some other countries;
- war and acts of terrorism; and
- potentially adverse tax consequences.

In certain non-US markets, there may be reluctance to purchase products based on GPS technology, given the control of GPS by the US Government.

We Are Exposed to Fluctuations in Currency Exchange Rates.

A significant portion of our business is conducted outside the United States, and as such, we face exposure to adverse movements in non-US currency exchange rates. These exposures may change over time as business practices evolve and could have a material adverse impact on our financial results and cash flows. In fiscal 2003, the US dollar weakened against several major currencies in which we do business, adversely impacting our financial results.

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

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

We market certain products that are subject to governmental and similar certifications before they can be sold. For example, CE certification for radiated emissions is required for most GPS receiver and data communications products sold in the European Union. An inability to obtain such certifications in a timely manner could have an adverse effect on our operating results. Also, our products that use integrated radio communication technology require an end user to obtain licensing from the Federal Communications Commission (FCC) for frequency-band usage. These are secondary licenses that are subject to certain restrictions. During the fourth quarter of 1998, the FCC temporarily suspended the issuance of licenses for certain of our real-time kinematics products because of interference with certain other users of similar radio frequencies. An inability or delay in obtaining such certifications or changes to the rules by the FCC could adversely affect our ability to bring our products to market which could harm our customer relationships and have a material adverse effect on our business.

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

The market price of our common stock has been, and may continue to be, highly volatile. During fiscal 2003, our stock price ranged from $8.68 to $25.60. We believe that a variety of factors could cause the price of our common stock to fluctuate, perhaps substantially, including:

- announcements and rumors of developments related to our business or the industry in which we compete;
- quarterly fluctuations in our actual or anticipated operating results and order levels;
- general conditions in the worldwide economy, including fluctuations in interest rates;
- announcements of technological innovations;
- new products or product enhancements by us or our competitors;
- developments in patents or other intellectual property rights and litigation;
- developments in our relationships with our customers and suppliers; and
- any significant acts of terrorism against the United States.

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

We are Subject to Environmental Laws and Potential Exposure to Environmental Liabilities.

We are subject to various federal, state and local environmental laws and regulations that govern our operations, including the handling and disposal of non-hazardous and hazardous wastes, and emissions and discharges into the environment. Failure to comply with such laws and regulations could result in costs for corrective action, penalties, or the imposition of other liabilities. We also are subject to laws and regulations that impose liability and clean-up responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating hazardous substances or petroleum products on or from its property, without regard to whether the owner or operator knew of, or caused, the contamination, as well as incur liability to third parties impacted by such contamination. The presence of, or failure to remediate properly, such substances could adversely affect the value and the ability to transfer or encumber such property. Based on currently available information, although there can be no assurance, we believe that such liabilities will not have a material impact on our business.

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

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

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

Item 7A. Quantitative and Qualitative Disclosure about Market Risk

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

Market Interest Rate Risk

We are exposed to market risk due to the possibility of changing interest rates under our secured Credit Facility. Our Credit Facility is comprised of a three-year, US dollar-only revolver that expires on June 25, 2006, and a four-year term loan that expires on June 25, 2007. Borrowings under the Credit Facility have interest payments based on a floating rate of LIBOR plus a number of basis points tied to a formula based on our Leverage Ratio. The revolver matures on June 25, 2006 and has an outstanding principal balance of $44 million, while the term loan matures on June 25, 2007 and has an outstanding principal balance of $43.8 million, as of January 2, 2004 (all in US currency only). The three-month LIBOR effective rate at January 2, 2004 was 1.155%. A hypothetical 10% increase in three-month LIBOR rates could result in approximately $101,790 annual increase in interest expense on the existing

principal balances. We have hedged the market risk with an interest rate swap on 50% of our term loan. The rate on that interest rate swap is 2.517%.

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

Foreign Currency Exchange Rate Risk

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

Foreign exchange forward contracts outstanding as of January 2, 2004 and January 3, 2003 are summarized as follows (in thousands):

	January 2, 2004		January 3, 2003	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Forward contracts:				
Purchased	$ 15,767	$ (1,666)	$ 24,414	$ (658)
Sold	$ 44,236	2,994	24,539	955

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

From time to time, we may also utilize forward foreign exchange contracts designated as cash flow hedges of operational exposures represented by firm backlog orders to specific accounts over a specific period of time. We record changes in the fair value of cash flow hedges in accumulated, other comprehensive income (loss), until the firm backlog transaction ships. Upon recognition of revenue, we reclassify the gain or loss on the cash flow hedge to the statement of operations. The critical terms of the cash flow hedging instruments are the same as the underlying forecasted transactions. The changes in fair value of the derivatives are intended to offset changes in the expected cash flow from the forecasted transactions. All forward contracts have maturities of less than 12 months. For the fiscal year ended January 3, 2003, we recorded a gain of $57,000 reflecting the net change and ending balance in relation to a firm backlog hedge. We did not hedge against backlog orders during fiscal 2003.

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Item 8. Financial Statements and Supplementary Data

CONSOLIDATED BALANCE SHEETS

As at (in thousands)	January 2, 2004	January 3, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 45,416	$ 28,679
Accounts receivable, less allowance for doubtful accounts of $9,953 and $9,900, respectively	103,350	79,645
Inventories, net	70,826	61,144
Deferred income taxes	4,380	76
Other current assets	5,659	8,401
Total current assets	229,631	177,945
Property and equipment, at cost less accumulated depreciation	27,379	22,037
Goodwill	241,425	205,933
Other purchased intangible assets, less accumulated amortization	19,741	23,238
Deferred income taxes	4,173	417
Other assets	22,554	12,086
Total non-current assets	315,272	263,711
Total assets	$ 544,903	$ 441,656
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank and other short-term borrowings	$ -	$ 6,556
Current portion of long-term debt	12,885	24,104
Accounts payable	26,019	30,669
Accrued compensation and benefits	25,950	17,728
Accrued liabilities	15,599	21,000
Accrued warranty expense	5,147	6,394
Deferred income taxes	1,136	-
Income taxes payable	9,969	6,450
Total current liabilities	96,705	112,901
Non-current portion of long-term debt	77,601	107,865
Deferred gain on joint venture	9,845	10,792
Deferred income tax	4,229	2,561
Other non-current liabilities	8,279	6,186
Total liabilities	196,659	240,305
Commitments and Contingencies		
Shareholders' equity:		
Preferred stock no par value; 3,000 shares authorized; none outstanding	-	-
Common stock, no par value; 90,000 shares authorized; 49,988, and 43,965 shares outstanding, respectively	303,015	225,872
Retained earnings (accumulated deficit)	14,990	(23,495)
Accumulated other comprehensive income (loss)	30,239	(1,026)
Total shareholders' equity	348,244	201,351
Total liabilities and shareholders' equity	$ 544,903	$ 441,656

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Fiscal Years Ended (in thousands, except per share data)	January 2, 2004	January 3, 2003	December 28, 2001
Revenue (1)	$ 540,903	$ 466,602	$ 475,292
Cost of revenue	272,873	232,170	238,057
Gross margin	268,030	234,432	237,235
Operating expenses			
Research and development	67,641	61,232	62,881
Sales and marketing	97,870	89,344	103,778
General and administrative	39,253	40,634	37,407
Restructuring charges	2,019	1,099	3,599
Amortization of purchased intangible assets and goodwill	7,312	8,300	29,389
Total operating expenses	214,095	200,609	237,054
Operating income from continuing operations	53,935	33,823	181
Non-operating income (expense), net			
Interest income	465	659	1,118
Interest expense	(11,938)	(14,710)	(22,224)
Foreign currency transaction loss, net	(592)	(823)	(237)
Expenses for affiliated operations, net	(6,403)	(3,954)	-
Other income (expense), net	118	(1,171)	(430)
Total non-operating expense, net	(18,350)	(19,999)	(21,773)
Income (loss) before income taxes from continuing operations	35,585	13,824	(21,592)
Income tax provision (benefit)	(2,900)	3,500	1,900
Income (loss) from continuing operations	38,485	10,324	(23,492)
Gain on disposal of discontinued operations (net of tax)	-	-	613
Net income (loss)	$ 38,485	$ 10,324	$ (22,879)
Basic earnings (loss) per share from continuing operations	$ 0.81	$ 0.24	$ (0.63)
Basic earnings per share from discontinued operations	-		0.01
Basic earnings (loss) per share	$ 0.81	$ 0.24	$ (0.62)
Shares used in calculating basic earnings per share	47,505	42,860	37,091
Diluted earnings (loss) per share from continuing operations	$ 0.77	$ 0.24	$ (0.63)
Diluted earnings per share from discontinued operations	-	-	0.01
Diluted earnings (loss) per share	$ 0.77	$ 0.24	$ (0.62)
Shares used in calculating diluted earnings per share	50,012	43,578	37,091

(1) Includes sales to related parties of $4.0 million for fiscal 2003. None in fiscal 2001 and 2002.

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in thousands)	Common stock and warrants Shares	Amount	Retained Earnings (Deficit)	Accumulative Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 29, 2000	36,243	$154,846	$(10,940)	$(8,963)	$134,943
Components of comprehensive income (loss):					
Net loss			(22,879)		(22,879)
Loss on interest rate swap				(203)	(203)
Unrealized gain on investments				16	16

Foreign currency translation adjustments				(9,766)	(9,766)
Comprehensive loss					(32,832)
Subtotal					102,111
Issuance of stock under employee plans and exercise of warrants	1,376	11,344			11,344
Issuance of stock in private placement	2,675	25,034			25,034
Balance at December 28, 2001	40,294	191,224	(33,819)	(18,916)	138,489
Components of comprehensive income (loss):					
Net income			10,324		10,234
Gain on interest rate swap				210	210
Unrealized loss on investments				(17)	(17)
Foreign currency translation adjustments				17,697	17,697
Comprehensive income					28,214
Subtotal					166,703
Issuance of stock for acquisition	1,190	12,033			12,033
Issuance of stock under employee plans exercise of warrants	561	4,091			4,091
Issuance of warrants		1,528			1,528
Issuance of stock in private placement	1,920	16,996			16,996
Balance at January 3, 2003	43,965	225,872	(23,495)	(1,026)	201,351
Components of comprehensive income (loss):					
Net income			38,485		38,485
Gain on interest rate swap				(7)	(7)
Unrealized gain on investments				74	74
Foreign currency translation adjustments				31,198	31,198
Comprehensive income					69,750
Subtotal					271,101
Issuance of stock for acquisition	825	18,524			18,524
Issuance of stock for Joint Venture with Nikon	350	5,922			5,922
Issuance of stock under employee plans and exercise of warrants	1,593	13,929			13,929
Issuance of stock for Levelite	107	1,349			1,349
Issuance of warrants		836			836
Issuance of stock in private placement	3,148	36,583			36,583
Balance at January 2, 2004	49,988	$303,015	$ 14,990	$ 30,239	$348,244

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years Ended (In thousands)	January 2, 2004	January 3, 2003	December 28, 2001
Cash flow from operating activities:			
Net income (loss)	$ 38,485	$ 10,324	$(22,879)
Adjustments to reconcile net income (loss) to cash flows provided by operating activities:			
Depreciation expense	8,864	9,850	11,218
Amortization expense	7,916	9,168	30,306
Provision for doubtful accounts	(32)	5,443	5,077
(Gain) loss on sale of fixed assets	-	423	(135)
Amortization of deferred gain	-	(1,061)	(1,584)
Amortization of debt issuance cost	3,515	1,197	960
Deferred income taxes	(6,532)	1,464	(887)
Other	2,533	193	(508)
Decrease (increase) in assets:			
Accounts receivable	(16,683)	(10,615)	6,842
Inventories	(4,862)	(7,649)	7,442
Other current and non-current assets	(792)	(3,920)	2,393
Effect of foreign currency translation adjustment	6,895	438	(3,261)
Increase (decrease) in liabilities:			
Accounts payable	(6,387)	8,593	(4,954)
Accrued compensation and benefits	6,723	3,452	(3,112)
Deferred gain on joint venture	(947)	10,792	-
Accrued liabilities	(6,437)	(4,823)	(2,946)
Income taxes payable	4,201	(953)	2,398
Net cash provided by operating activities	36,460	32,316	26,370
Effect of exchange rate changes on cash and cash equivalents	2,876	2,780	(1,277)
Cash flow from investing activities:			
Acquisition of property and equipment	(10,901)	(7,157)	(7,254)
Proceeds from sale of assets	334	1,407	1,177

Acquisitions, net of cash acquired	(6,606)	1,718	(4,430)
Investment in Nikon-Trimble Joint Venture	(4,810)	-	-
Costs of capitalized patents	(670)	(1,734)	(934)
Net cash used by investing activities	(22,653)	(5,766)	(11,441)
Cash flow from financing activities:			
Issuance of common stock and warrants	50,514	21,393	36,378
(Payment)/collection of notes receivable	1,326	(1,082)	872
Proceeds from long-term debt and revolving credit lines	138,288	18,000	30,062
Payments on long-term debt and revolving credit lines	(190,074)	(70,040)	(90,762)
Net cash provided (used) by financing activities	54	(31,729)	(23,450)
Net increase (decrease) in cash and cash equivalents	16,737	(2,399)	(9,798)
Cash and cash equivalents, beginning of period	28,679	31,078	40,876
Cash and cash equivalents, end of period	$ 45,416	$ 28,679	$ 31,078

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Due to the inherent nature of those estimates, actual results could differ from expectations.

Basis of Presentation

Trimble has a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2003 was January 2, 2004. Fiscal 2002 was a 53-week year. The financial results of fiscal year 2002 have an extra week, and therefore will not be exactly comparable to the prior and subsequent 52-week fiscal years. Fiscal year 2001 comprised 52 weeks.

The consolidated financial statements include the results of Trimble and its subsidiaries. Inter-company accounts and transactions have been eliminated. Certain amounts from prior years have been reclassified to conform to the current year presentation.

Foreign Currency

Assets and liabilities of the Company's non-US subsidiaries are translated into US dollars at year-end exchange rates, and revenues and expenses are translated at average rates prevailing during the year. Local currencies are considered to be the functional currencies for the Company's non-US subsidiaries. Translation adjustments are included in shareholders' equity in the consolidated balance sheet caption "Accumulated other comprehensive income (loss)." Foreign currency transaction gains and losses are included in results of operations as incurred and have not been significant to the Company's operating results in any fiscal year presented. The effect of foreign currency rate changes on cash and cash equivalents is not material. Cumulative translation adjustment increased by approximately $31.2 million due to weakening US dollar against other currencies affecting the translation of our assets dominated in non-US currencies.

Cash and Cash Equivalents

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

Concentration of Risk

In entering into forward foreign exchange contracts, Trimble has assumed the risk that might arise from the possible inability of counter-parties to meet the terms of their contracts. The counter-parties to these contracts are major multinational investment and commercial banks, and the Company does not expect any losses as a result of counter-party defaults (see Note 6 of the Notes to the Consolidated Financial Statements). The Company is also exposed to credit risk in the Company's trade receivables, which are derived from sales to end user customers in diversified industries as well as various resellers. Trimble performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary but generally does not require collateral.

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

Many of Trimble's products use GPS as the positioning technology. GPS is a system of 24 orbiting satellites established and funded by the US Government, which has been fully operational since March 1995. A significant reduction in the number of operating satellites would impair the current utility of the GPS system and the growth of current and additional market opportunities. In addition, the US Government may not remain committed to the operation and maintenance of GPS satellites over a long period, and the policy of the US Government for the use of GPS without charge may change.

Allowance for Doubtful Accounts

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

Trimble evaluates the collectibility of its trade accounts receivable based on a number of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations to the Company, a specific allowance for bad debts is estimated and recorded which reduces the recognized receivable to the estimated amount Trimble believes will ultimately be collected. In addition to specific customer identification of potential bad debts, bad debt charges are recorded based on the Company's recent past loss history and an overall assessment of past due trade accounts receivable amounts outstanding. The amount was not significant in fiscal 2003 and the expenses recorded for doubtful accounts were $5.4 million in fiscal 2002 and $5.1 million in fiscal 2001.

Inventories

Inventories are stated at the lower of standard cost or market (net realizable value). Standard costs approximate average actual costs. The Company uses a standard cost accounting system to value inventory and these standards are reviewed at a minimum of once a year and multiple times a year in the most active manufacturing plants. The Company provides for the inventory value for estimated excess and obsolete inventory, based on management's assessment of future demand and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Intangible and Non-Current Assets

Intangible assets include goodwill, assembled workforce, distribution channels, patents, licenses, technology, and trademarks which are capitalized at cost. Intangible assets with definite lives are amortized on the straight-line basis. Useful lives generally range from five to seven years, with weighted average useful life of 5.7 years. Prior to December 29, 2001, goodwill was amortized over 20 years, except for goodwill from the Grid Data purchase, which was amortized over five years.

If facts and circumstances indicate that the goodwill, other intangible assets, or property and equipment may be impaired, an evaluation of continuing value would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with these assets would be compared to their carrying amount to determine if a write-down to fair market value or discounted cash flow value is required. Trimble performed an impairment test of goodwill upon transition to FAS No. 142 on December 29, 2001, and an annual impairment test at the end of the third fiscal quarter of 2002 and 2003, respectively, and found no impairment. Trimble will continue to evaluate its goodwill for impairment on an annual basis at the end of each fiscal third quarter and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable.

Trimble adopted SFAS No. 142 on December 29, 2001. As a result, goodwill is no longer amortized and intangible assets with indefinite lives were reclassified to goodwill.

Revenue Recognition

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

Revenues from purchased extended warranty and support agreements are deferred and recognized ratably over the term of the warranty/support period. Substantially all technology licenses and research revenue have consisted of initial license fees and royalties, which were recognized when earned, provided we had no remaining obligations.

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

Trimble's shipment terms for US orders, and international orders fulfilled from its European distribution center are typically FCA (Free Carrier) shipping point, except certain sales to US government agencies which are shipped FOB destination. FCA shipping point means that Trimble fulfills the obligation to deliver when the goods are handed over, cleared for export, and into the charge of the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, Trimble may choose within the place or range stipulated where the carrier will take the goods into carrier's charge. Shipping and handling costs are included in the cost of goods sold.

Other international orders are shipped FOB destination, which means these international orders are not recognized as revenue until the product is delivered and title has transferred to the buyer or FCA shipping point. FOB destination means that Trimble bears all costs and risks of loss or damage to the goods up to that point.

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

When a sale involves multiple elements the entire fee from the arrangement is allocated to each respective element based on its relative fair value and recognized when revenue recognition criteria for each element are met. The amount of product revenue allocated to an individual element is limited to the lesser of its relative fair value or the amount not contingent on the Company's delivery of other elements under the arrangement, regardless of the probability of the Company's performance.

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

Support and Warranty

The warranty periods for the Company's products are generally between one and three years from date of shipment. Selected military programs may require extended warranty periods up to 5.5 years, certain TDS products have a five year or 90-day warranty period, and certain Nikon products have a five year warranty period. Trimble supports its GPS products through a circuit board replacement program from locations in the United Kingdom, Germany, Japan, and the United States. The repair and calibration of Trimble's non-GPS products are available from company- owned or authorized facilities. The Company reimburses dealers and distributors for all authorized warranty repairs they perform.

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

Changes in the Company's product warranty liability during the 12 months, ended January 2, 2004 and January 3, 2003, are as follows:

Fiscal Years Ended	January 2, 2004	January 3, 2003
(In thousands)		

Beginning balance	$ 6,394	$ 6,827
Warranties accrued	4,417	2,821
Warranty claims	(5,664)	(3,254)
Ending Balance	$ 5,147	$ 6,394

Guarantees, Including Indirect Guarantees of Indebtedness of Others

In addition to product warranties, the Company, from time to time, in the normal course of business, indemnifies other parties with whom it enters into contractual relationships, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. The Company has agreed to hold the other party harmless against specified losses, such as those arising from a breach of representations or covenants, third party claims that the Trimble's products when used for their intended purpose(s) infringe the intellectual property rights of such third party or other claims made against certain parties. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the limited history of prior indemnification claims and the unique facts and circumstances that are likely to be involved in each particular claim. Historically, payments made by the Company under these obligations were not material and no liabilities have been recorded for these obligations on the balance sheets as of January 2, 2004 and January 3, 2003.

Advertising Costs

Trimble expenses advertising costs as incurred. Advertising expenses were approximately $9.2 million, $6.3 million, and $6.8 million in fiscal 2003, 2002, and 2001, respectively.

Research and Development Costs

Research and development costs are charged to expense as incurred. Trimble received third party funding of approximately $4.9 million, $5.3 million, and $4.1 million in fiscal 2003, 2002, and 2001, respectively. The Company offsets research and development expenses with any third party funding received.

The Company retains the rights to any technology developed.

Stock Compensation

In accordance with the provisions of Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation" and "Statement of Financial Accounting Standards No. 148" ("SFAS 148"), "Accounting for Stock-Based Compensation - Transition and Disclosure," Trimble applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its stock option plans and stock purchase plan. Accordingly, the Company does not recognize compensation cost for stock options granted at fair market value. Note 13 of the Consolidated Financial Statements describe the plans operated by Trimble.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period, and the estimated fair value of purchases under the employee stock purchase plan is expensed in the year of purchase as well as the stock-based employee compensation cost, net of related tax effects, that would have been included in the determination of net income if the fair value based method had been applied to all awards. The effects on pro forma disclosure of applying SFAS No. 123 are not likely to be representative of the effects on pro forma disclosure of future years.

Pro forma information regarding net income (loss) and earnings (loss) per share is required by SFAS No. 123 and has been determined as if Trimble had accounted for its employee stock options and purchases under the employee stock purchase plan using the fair value method of SFAS No.123. The fair value for these options was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions for fiscal 2003, 2002, and 2001:

	January 2, 2004	January 3, 2003	December 28, 2001
Expected dividend yield	-	-	-
Expected stock price volatility	59.87%	52.70%	69.59%
Risk free interest rate	3.34%	3.13%	4.15%
Expected life of options after vesting	1.56	1.18	1.20

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because Trimble's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of its employee stock options.

Trimble's pro forma information is as follows:

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001
(dollars in thousands)			
Net income (loss) - as reported	$ 38,485	$ 10,324	$(22,879)
Stock-based employee compensation expense determined under fair value method based for all awards, net of related tax effects	11,549	11,641	12,718
Net earnings (loss) - pro forma	$ 26,936	$ (1,317)	$(35,597)
Basic earnings (loss) per share - as reported	0.81	0.24	(0.62)
Basic earnings (loss) per share - pro forma	0.57	(0.03)	(0.96)
Diluted earnings (loss) per share - as reported	0.77	0.24	(0.62)
Diluted earnings (loss) per share - pro forma	0.54	(0.03)	(0.96)

Depreciation

Depreciation of property and equipment owned or under capitalized leases is computed using the straight-line method over the shorter of the estimated useful lives or the lease terms. Useful lives include a range from two to six years for machinery and equipment, five years for furniture and fixtures, two to five years for computer equipment and software, and the life of the lease for leasehold improvements.

Income Taxes

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

Earnings (Loss) Per Share

Number of shares used in calculation of basic earnings per share represents the weighted average common shares outstanding during the period and excludes any dilutive effects of options, warrants, and convertible securities. The dilutive effects of options, warrants, and convertible securities are included in diluted earnings per share. (See Note 21 to the Consolidated Financial Statements regarding a 3 for 2 stock split subsequent to year end.)

New Accounting Standards

In November of 2002, the EITF reached a consensus on Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." EITF Issue No. 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF Issue No. 00-21 apply to revenue arrangements entered into after June, 2003. The effect of adoption of EITF Issue No. 00-21 on Trimble's results of operations and financial condition was immaterial.

Financial Accounting Standards Board (FASB) Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities," was issued in January 2003, and a revised interpretation of FIN 46 (FIN 46-R) was issued in December 2003. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The provisions of FIN 46 are effective immediately for all arrangements entered into after January 31, 2003. Since January 31, 2003, Trimble has not obtained any variable interests in any entities it believes are variable interest entities. For arrangements entered into prior to February 1, 2003, Trimble would be required to adopt the provisions of FIN 46-R in the first quarter of fiscal 2004. Trimble is in the process of determining the effect, if any, the adoption of FIN 46-R will have on its financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of this Statement did not have an effect on Trimble's financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. Many of these instruments were previously classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise was effective at the beginning of the first interim period beginning after June 15, 2003, which for Trimble, was the fourth quarter of 2003. The adoption of this Statement did not have an effect on Trimble's financial statements.

Note 2 - Acquisitions:

The following is a summary of acquisitions made by Trimble during fiscal 2003, 2002, and 2001, all of which were accounted for as purchases:

Acquisition	Primary Service or Product	Acquisition Date
Grid Data	Wireless application service provider	April 2, 2001
LeveLite	Low-end construction instrument products	August 15, 2002
Applanix	Inertial navigation systems and GPS	July 7, 2003
MENSI	3D laser scanning technology	December 9, 2003

The consolidated financial statements include the results of operations of acquired companies commencing on the date of acquisition. Pro forma information is not presented, as these acquisitions did not have a material effect on the Company's results of operations.

Allocation of Purchase Consideration

The total purchase consideration for each of the above acquisitions was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the date of acquisition. The following is a summary of purchase price, acquisition costs and purchase price allocation of the Grid Data, and LeveLite, Applanix, and MENSI acquisitions:

(In thousands)	Grid Data	LeveLite	Applanix	MENSI
Purchase price	$ 8,248	$ 7,506	$ 17,401	$ 4,273
Acquisition costs	50	144	438	372
Restructuring costs	-	555	-	-
Total purchase price	$ 8,298	$ 8,205	$ 17,839	$ 4,645
Purchase price allocation:				
Fair value of tangible net assets acquired	(141)	6,115	3,742	1,434
Deferred tax	-	-	(1,153)	-
Identified intangible assets:				
Existing technology	-	-	3,440	-
Goodwill	8,439	2,090	11,810	3,211
Total	$ 8,298	$ 8,205	$ 17,839	$ 4,645

Grid Data, Inc.

On April 2, 2001, Trimble acquired certain assets of Grid Data, an Arizona corporation, for approximately $3.5 million in cash and the assumption of certain liabilities. In addition, the purchase agreement provided for Trimble to make earn-out payments based upon the completion of certain business milestones. In June 2002, Trimble issued 402,528 shares of common stock in settlement of all earn-out payments, which resulted in additional goodwill of $4.8 million, with a final purchase price of approximately $8.3 million.

LeveLite Technology, Inc.

On August 15, 2002, Trimble acquired LeveLite Technology, Inc., a California corporation, for approximately $5.7 million. This strategic acquisition complements Trimble's entry-level construction instrument product line. The purchase price consisted of 655,626 shares of common stock. The merger agreement provides for Trimble to make additional earn-out payments not to exceed $3.9 million (in common stock and cash payment) based on future revenues derived from existing product sales to a certain customer and a share of the payments received from the settlement of potential litigation. As of January 2, 2004, the total earn-out amount was approximately $1.8 million resulting in additional goodwill and a final purchase price of approximately $7.5 million.

Applanix Corporation

* On July 7, 2003, Trimble acquired privately held Applanix Corporation of Ontario, Canada for approximately $17.8 million. Applanix develops systems that integrate inertial navigation system (INS) and GPS technologies. The purchase price consisted of 1,154,240 shares of Trimble common stock, of which 720,404 were issued. Former Applanix shareholders have the right to receive the remaining 433,836 shares of Trimble common stock upon the surrender of exchangeable shares of a Trimble subsidiary. Trimble expects the Applanix acquisition to extend its technology portfolio and enable increased robustness and capabilities in its future positioning products. Applanix's performance is reported under the Company's Portfolio Technologies segment. Trimble's allocated a portion of the purchase price to existing technology, which is being amortized over seven years.

MENSI S.A.

On December 9, 2003, we acquired privately held MENSI S.A., a French developer of terrestrial 3D laser scanning technology. This strategic acquisition will enhance our technology portfolio and expand our product offerings. The purchase price consisted of an initial cash payment of approximately Euro 3.5 million (approximately US$4.3 million on December 9, 2003). The acquisition agreement provides for Trimble to make additional earn-out cash payments not to exceed Euro 3 million (approximately US$3.7 million on December 9, 2003) based on future revenue derived from existing product sales. The additional payments, if earned, will result in additional goodwill. MENSI's performance is reported under our Engineering and Construction segment.

NOTE 3 - Joint Ventures:

Caterpillar Trimble Control Technologies Joint Venture

On April 1, 2002, Caterpillar Trimble Control Technologies LLC ("CTCT"), a joint venture formed by Trimble and Caterpillar began operations. CTCT, based in Dayton, Ohio, is 50% owned by Trimble and 50% owned by Caterpillar, with equal voting rights. It develops and markets next generation advanced electronic guidance and control products for earthmoving machines in the construction, mining, and waste industries. Under the terms of the joint venture agreement, Caterpillar contributed $11.0 million cash plus selected technology, for a total contributed value of $14.5 million, and Trimble contributed selected existing machine control product technologies valued at $25.5 million. Additionally, both companies have licensed patents and other intellectual property from their portfolios to CTCT. During the first fiscal quarter of 2002, Trimble received a special cash distribution of $11.0 million from CTCT.

Trimble has recorded the cash distribution of $11.0 million as a deferred gain, being amortized to the extent that losses are attributable from CTCT under the equity method of accounting. When and if CTCT is profitable on a sustainable basis, and future operating losses are not anticipated, then Trimble will recognize as a gain, the un-amortized portion of the $11.0 million. To the extent that it is possible that the Company will have any future-funding obligation relating to CTCT, then the relevant amount of the $11.0 million will be deferred until such a time, as the funding obligation no longer exists. Both Trimble's share of profits (losses) under the equity method and the amortization of the $11.0 million deferred gain are recorded under the heading of "Expense for affiliated operations, net" in Non-operating income (expense).

The expenses for affiliated operations at CTCT, net also includes incremental costs as a result of purchasing products from CTCT at a higher price than Trimble's original manufacturing costs, partially offset by contract manufacturing fees charged to CTCT. In addition, Trimble received reimbursement of employee-related costs from CTCT for Trimble employees devoted to CTCT totaling $7.9 million in fiscal 2003 and $3.9 million in fiscal 2002. The reimbursements were offset against operating expenses.

	January 2,	January 3,

Fiscal year ended	2004	2003
(In millions)		
CTCT incremental pricing effects, net	$ 5.9	$ 4.0
Trimble's 50% share of CTCT's reported gain (loss)	(0.9)	(0.2)
Amortization of deferred gain	0.9	0.2
Total CTCT expense for affiliated operations, net (1)	$ 5.9	$ 4.0

(1) Due to the nature of the relationship between Trimble and CTCT, a related party, the impact of these agreements is classified under non-operating income (expense) under the heading of "Expense for affiliated operations, net".

At January 2, 2004, the net outstanding balance due from CTCT to Trimble was approximately $0.8 million.

Nikon-Trimble Joint Venture

On March 28, 2003, Trimble and Nikon Corporation entered into an agreement to form a joint venture in Japan, Nikon-Trimble Co., Ltd., which assumed the operations of Nikon Geotecs Co., Ltd., a Japanese subsidiary of Nikon Corporation and Trimble Japan KK, a Japanese subsidiary of Trimble. Nikon-Trimble began operations in July 2003.

Under the terms of the Nikon-Trimble agreement, Nikon contributed (Y)1.2 billion (approximately US$10 million on June 30, 2003) in cash, while Trimble contributed (Y)500 million (approximately US$4.1 million on June 30, 2003) in cash and (Y)700 million of its common stock or 349,251 shares valued at approximately US$5.9 million on June 30, 2003. The Nikon-Trimble joint venture purchased certain tangible and intangible assets from Nikon Geotecs Co., Ltd. and Trimble Japan KK.

Nikon-Trimble is 50% owned by Trimble and 50% owned by Nikon, with equal voting rights. It focuses on the design and manufacture of surveying instruments including mechanical total stations and related products. In Japan, this joint venture will distribute Nikon's survey products as well as Trimble's GPS survey products and other Engineering and Construction products, including robotic total stations. Outside Japan, Trimble is the exclusive distributor of Nikon survey and construction products.

Trimble has adopted the equity method of accounting for its investment in Nikon-Trimble, with 50% share of profit or loss from this joint venture to be reported by Trimble in the Non-operating section of the Consolidated Statement of Operations under the heading of "Expenses for affiliated operations, net." During fiscal 2003, and the first year of its operations, Nikon-Trimble reported a loss of $0.6 million of which Trimble's share is $0.3 million. At January 2, 2004, the outstanding balance from Nikon-Trimble due to Trimble was approximately $1.4 million related to the transfer of certain tangible and intangible assets from Trimble Japan KK, recorded under the heading of "Accounts and other receivables, net" and $2.0 million net payable by Trimble to Nikon-Trimble related to the purchase and sale of products from and to Nikon-Trimble recorded under the heading of "Other accrued liabilities" on the Consolidated Balance Sheets.

Note 4 - Goodwill and Intangible Assets:

Goodwill and purchased intangible assets consisted of the following:

As of	January 2, 2004	January 3, 2003
(in thousands)		
Intangible assets:		
Intangible assets with definite life:		
Existing technology	$ 32,389	$ 25,986
Trade names, trademarks, patents, and other intellectual properties	20,911	21,594
Total intangible assets with definite life	53,300	47,580
Less accumulated amortization	(33,559)	(24,342)
Total net intangible assets	$ 19,741	$ 23,238
Goodwill:		
Goodwill, Spectra Precision acquisition	205,562	185,277
Goodwill, other acquisitions	35,863	20,656
Total goodwill	241,425	205,933

The increase in goodwill of approximately $35.5 million during fiscal 2003 was primarily due to the acquisition of Applanix and MENSI of approximately $15.0 million and the exchange rate impact of approximately $18.0 million on non-US currency denominated goodwill assets.

The intangible asset amortization expense as of January 2, 2004 for the five years following fiscal 2003 is projected as follows:

(In thousands)	Amortization Expense
2004	$8,177
2005	5,384
2006	2,522
2007	1,747
2008	824
Thereafter	1,087
Total	$ 19,741

For comparative purposes, the pro forma adjusted net income (loss) per share excluding amortization of goodwill, distribution channel, and assembled workforce is as follows:

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001
(in thousands, except per share data)			
Net income (loss)	$ 38,485	$ 10,324	$(22,879)
Add back SFAS 142 adjustments:			
Amortization of goodwill	-	-	7,817
Amortization of distribution channel	-	-	11,230
Amortization of assembled workforce	-	-	1,834
Adjusted net income (loss)	$ 38,485	$ 10,324	$ (1,998)
Weighted average shares outstanding			
Basic	47,505	42,860	37,091
Diluted	50,012	43,578	37,091
Diluted net income (loss) per share	$ 0.81	$ 0.24	$ (0.05)
Pro forma adjusted diluted net income (loss) per share	$ 0.77	$ 0.24	$ (0.05)

Note 5 - Certain Balance Sheet Components:

Inventories consisted of the following:

As of	January 2, 2004	January 3, 2003
(in thousands)		
Raw materials	$ 20,927	$ 21,098
Work-in-process	3,876	5,187
Finished goods	46,023	34,859
	$ 70,826	$ 61,144

Property and equipment consisted of the following:

As of	January 2, 2004	January 3, 2003
(in thousands)		
Machinery and equipment	$ 66,634	$ 70,660
Furniture and fixtures	9,085	6,538
Leasehold improvements	4,502	6,451
Buildings	5,236	2,905
Land	1,391	1,391
	86,848	87,945
Less accumulated depreciation	(59,469)	(65,908)

	$ 27,379	$ 22,037

Other current assets consisted of the following:

As of (in thousands)	January 2, 2004	January 3, 2003
Notes receivable	$ 446	$ 1,685
Prepaid expenses	4,566	5,495
Other	647	1,221
	$ 5,659	$ 8,401

Other non-current assets consisted of the following:

As of (in thousands)	January 2, 2004	January 3, 2003
Debt issuance costs, net	$ 1,691	$ 2,493
Nikon-Trimble joint venture investment*	10,717	-
Other investments	1,216	1,381
Deposits	925	1,196
Demonstration equipment, net	3,226	2,665
Receivables from employees	801	1,223
Other	3,978	3,128
	$ 22,554	$ 12,086

* Includes transaction costs of approximately $0.7 million.

Note 6 - Derivative Financial Instruments:

Trimble transacts business in various foreign currencies and hedges identified risks associated with foreign currency transactions in order to minimize the impact of changes in foreign currency exchange rates on earnings. Trimble utilizes forward contracts to hedge certain trade and inter-company receivables and payables. These contracts reduce the exposure to fluctuations in exchange rate movements, as the gains and losses associated with foreign currency balances are generally offset with the gains and losses on the hedge contracts and are marked to market through earnings every period and generally range from one to three months in original maturity. These hedge instruments are marked to market through earnings every period. Gains and losses are not material to the Company's financial position or results of operation.

From time to time, Trimble may also utilize forward foreign exchange contracts designated as cash flow hedges of operational exposures represented by firm backlog orders to specific accounts over a specific period of time. Trimble records changes in the fair value of cash flow hedges in accumulated other comprehensive income (loss), until the firm backlog transaction ships. Upon recognition of revenue, the Company reclassifies the gain or loss on the cash flow hedge to the statement of operations. For the fiscal year ended January 3, 2003, Trimble recorded a gain of $57,000 reflecting the net change and ending balance in relation to a firm backlog hedge. The critical terms of the cash flow hedging instruments are the same as the underlying forecasted transactions. The changes in fair value of the derivatives are intended to offset changes in the expected cash flow from the forecasted transactions. All forward contracts have maturity of less than 12 months. As of January 3, 2003, the effect of all outstanding derivative instruments did not have a material impact on the Company's financial position or results of operations and none are outstanding as of January 2, 2004.

Note 7 - The Company, Industry Segment, Geographic, and Customer Information:

Trimble is a designer and distributor of positioning products and applications enabled by GPS, optical, laser, and wireless communications technology. The Company designs and markets products, by delivering integrated information solutions such as collecting, analyzing, and displaying position data to its end users. Trimble offers an integrated product line for diverse applications in its targeted markets.

To achieve distribution, marketing, production, and technology advantages in Trimble's targeted markets, the Company manages its operations in the following five segments:

- Engineering and Construction -- Consists of products currently used by survey and construction professionals in the field for positioning data collection, field computing, data management, and automated machine guidance and control. These products provide solutions for numerous construction applications including surveying, general construction, site preparation and excavation, road and runway construction, and underground construction.

- Field Solutions -- Consists of products that provide solutions in a variety of agriculture and fixed asset applications, primarily in the areas of precise land leveling, machine guidance, yield monitoring, variable-rate applications of fertilizers and chemicals, and fixed asset data collection for a variety of governmental and private entities. This segment is an aggregation of the mapping and geographic information systems (GIS) and agriculture businesses. Trimble has aggregated these business operations under a single general manager in order to continue to leverage its research and development activities due to the similarities of products across the segment.

- Mobile Solutions -- Consists of products that enable end users to monitor and manage their mobile assets by communicating location-relevant information from the field to the office. Trimble offers a range of products that address a number of sectors of this market including truck fleets, security, telematics, and public safety vehicles.

- Component Technologies -- Currently, Trimble markets its GPS component products through an extensive network of OEM relationships. These products include proprietary chipsets, modules, and a variety of intellectual property. The applications into which end users currently incorporate the component products include: timing applications for synchronizing wireless and computer systems; in-vehicle navigation and telematics (tracking) systems; fleet management; security systems; data collection networks; and wireless handheld consumer products.

- Portfolio Technologies -- The various operations that comprise this segment were aggregated on the basis that no single operation accounted for more than 10% of the total revenue. During the first two fiscal quarters of 2003, this segment was comprised solely of the Military and Advanced Systems business. Beginning with the third quarter of fiscal 2003, Applanix's performance is reported in this business segment.

At the beginning of fiscal 2003, Trimble realigned two of its reportable segments. The Tripod Data Systems business is now included in the Engineering and Construction segment, while previously it was included in the Portfolio Technologies segment. The following table has been restated to reflect this realignment.

Trimble evaluates each of its segment's performance and allocates resources based on profit and loss from operations before income taxes, and some corporate allocations. Trimble and each of its segments employ the same accounting policies.

The following table presents revenues, operating income (loss), and identifiable assets for the five segments. The information includes the operations of Grid Data after April 2, 2001, LeveLite after August 15, 2002, Applanix after July 7, 2003 and MENSI after December 9, 2003. Operating income (loss) is net revenue less operating expenses, excluding general corporate expenses, goodwill amortization, restructuring charges, non-operating income (expense), and income taxes. The identifiable assets that Trimble's Chief Operating Decision Maker views by segment are accounts receivable and inventory.

	Reporting Segments					
Fiscal Years Ended	Engineering and Construction	Field Solutions	Mobile Solutions	Component Technologies	Portfolio Technologies	Total
(In thousands)						
January 2, 2004						
External net revenues	$ 367,058	$ 79,879	$ 12,981	$ 64,193	$ 16,792	$ 540,903
Operating income (loss) before corporate allocations	60,664	14,500	(6,452)	16,560	(1,686)	83,586
Accounts receivable (1)	84,897	16,589	4,103	10,003	7,321	122,913
Inventories	56,008	3,398	3,038	2,021	6,361	70,826
January 3, 2003						
External net revenues	$ 319,615	$ 67,259	$ 8,486	$ 59,755	$ 11,487	$ 466,602
Operating income (loss) before corporate allocations	53,453	9,676	(12,039)	10,673	557	62,320

Accounts receivable (1)	73,474	11,598	1,960	11,276	1,966	100,274
Inventories	46,332	7,337	1,986	2,853	2,636	61,144
December 28, 2001						
External net revenues	$ 317,849	$ 68,519	$ 13,791	$ 58,083	$ 17,050	$ 475,292
Operating income (loss) before corporate allocations	49,849	11,349	(9,990)	10,359	738	62,306
Accounts receivable (1)	64,185	10,191	4,274	7,392	5,535	91,577
Inventories	38,921	4,639	1,992	2,490	3,438	51,480

(1) As presented, accounts receivable excludes cash received in advance and allowances for doubtful accounts, which are not allocated between segments.

The following are reconciliations corresponding to totals in the accompanying consolidated financial statements:

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001
(in thousands)			
Operating income from continuing operations:			
Total for reportable divisions (1)	$ 83,586	$ 62,320	$ 62,306
Unallocated corporate expenses	(29,651)	(28,497)	(62,125)
Operating income from continuing operations	$ 53,935	$ 33,823	$ 181

(1) Segment operating income for fiscal 2002 and fiscal 2001 have been restated to reflect the allocations of certain corporate expenses so as to be comparable with the allocation methodology in fiscal 2003.

As of	January 2, 2004	January 3, 2003
(in thousands)		
Assets:		
Accounts receivable total for reportable segments	$ 122,913	$ 100,274
Unallocated (1)	(19,563)	(20,629)
Total	$ 103,350	$ 79,645

(1) Includes cash received in advance, other receivables, and accruals that are not allocated by segment.

The following table presents revenues by product groups.

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001
(in thousands)			
GPS Products	$ 320.9	$ 274.5	$ 274.2
Laser and Optical Products	199.7	186.9	93.9
Other	20.3	13.9	1.7
Total revenue	$ 540.9	$ 475.3	$ 369.8

The geographic distribution of Trimble's revenues and identifiable assets is summarized in the table below. Other foreign countries include Canada and countries within South and Central America. Identifiable assets indicated in the table below exclude inter-company receivables, investments in subsidiaries, goodwill, and intangibles assets.

	Geographic Area					
Fiscal Years Ended	US	Europe Middle East Africa	Asia	Other Non-US Countries	Eliminations	Total
(In thousands)						
January 2, 2004						
Sales to unaffiliated customers (1)	$ 265,846	$ 166,153	$ 70,257	$ 38,648	$ -	$ 540,903

Inter-geographic transfers	112,623	116,185	-	3,755	(232,563)	-
Total revenue	$ 378,469	$ 282,338	$ 70,257	$ 42,403	(232,563)	$ 540,903
Identifiable assets	$ 172,850	$ 91,008	$ 7,549	$ 12,330	$ -	$ 283,737
January 3, 2003						
Sales to unaffiliated customers (1)	$ 235,716	$ 136,551	$ 60,878	$ 33,457	$ -	$ 466,602
Inter-geographic transfers	$ 62,843	73,625	-	4,121	(140,589)	-
Total revenue	$ 298,559	$ 210,176	$ 60,878	$ 37,578	(140,589)	$ 466,602
Identifiable assets	$ 127,594	$ 70,057	$ 9,955	$ 5,743	$ (864)	$ 212,485
December 28, 2001						
Sales to unaffiliated customers (1)	$ 236,665	$ 143,051	$ 54,710	$ 40,866	$ -	$ 475,292
Inter-geographic transfers	57,481	49,940	2,137	-	(109,558)	-
Total revenue	$ 294,146	$ 192,991	$ 56,847	$ 40,866	$(109,558)	$ 475,292
Identifiable assets	$ 120,403	$ 71,081	$ 10,048	$ 3,829	$ (5,494)	$ 199,867

(1) Sales attributed to countries based on the location of the customer.

Transfers between US and non-US geographic areas are made at prices based on total costs and contributions of the supplying geographic area. The Company's subsidiaries in Asia, except for Japan, which is a buy/sell entity, have derived revenue from commissions from US operations in each of the periods presented. These commission revenues and expenses are excluded from total revenue and operating income (loss) in the preceding table. The Japanese entity's revenues and expenses are included in total revenue and operating income (loss) in the preceding table. In fiscal 2002, Germany comprised approximately 16% of sales to unaffiliated customers. Other than the United States, no other country comprised more than 10% of sales to unaffiliated customers for any periods presented, except as disclosed above.

No single customer accounted for 10% or more of Trimble's total revenues in fiscal years 2003, 2002, and 2001.

Note 8 - Restructuring Charges:

Restructuring charges of $2.0 million were recorded in fiscal 2003, $1.1 million in fiscal 2002, and $3.6 million in fiscal 2001, all of which related to severance costs, except for $0.3 in 2003 which related to lease costs of Trimble's Japanese office closure due to the Nikon joint venture. As a result of the restructuring activities, the Company's headcount decreased in fiscal 2003 by 77, 49 and 207 in fiscal 2003, 2002, and 2001, respectively. As of January 2, 2004, the restructuring accrual balance was approximately $0.4 million which will be paid over the remaining term of the lease through 2006.

Note 9 - Long-term Debt:

Long-term debt consisted of the following:

As of (In thousands)	January 2, 2004	January 3, 2003
Credit Facilities:		
Term loan	$ 43,750	$ 32,600
Revolving credit facility	44,000	35,000
Subordinated note	-	69,136
Promissory notes and other	2,736	1,789
	90,486	138,525
Less bank and other short-term borrowings	-	6,556
Less current portion of long-term debt	12,885	24,104
Non-current portion	$ 77,601	$107,865

The following summarizes the future cash payment obligations (excluding interest) as of January 2, 2004:

(in thousands)	Total	2004	2005	2006	2007	2008	2009 and Beyond
Credit Facilities:							
Term loan	$ 43,750	$ 12,500	$ 12,500	$ 12,500	$ 6,250	$ -	$ -
Revolving credit facility	44,000	-	-	44,000	-	-	-
Subordinated note	-	-	-	-	-	-	-
Promissory note and other	2,736	385	165	285	110	110	1,681
Total contractual cash obligations	$ 90,486	$ 12,885	$ 12,665	$ 56,785	$ 6,360	$ 110	$ 1,681

Credit Facilities

On June 25, 2003, Trimble obtained a $175 million secured Credit Facility ("2003 Credit Facility") from a syndicate of nine banks to repay the Subordinated Note and refinance certain existing higher interest credit facilities, pay fees and expenses related to this new credit facility, and for ongoing working capital and general corporate needs.

At January 2, 2004, Trimble had approximately $87.8 million of borrowings under the 2003 Credit Facility, comprised of a $43.8 million term loan and $44.0 million of a $125 million revolver. The Company has access to an additional $81 million of cash under the terms of the revolving credit facility. The Company has commitment fees on the unused portion of 0.5% if the Leverage Ratio (which is defined as total indebtedness to Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA), as defined in the related agreement) is 2.0 or greater and 0.375% if the Leverage Ratio is less than 2.0.

Pricing of interest for any borrowings under the 2003 Credit Facility was fixed for the first six months at LIBOR plus 175 basis points (1.5% at January 2, 2004) and now is thereafter tied to a formula, based on the Leverage Ratio.

The Credit Facility is secured by all of the Company's material assets, except for assets that are subject to foreign tax considerations. Financial covenants of the 2003 Credit Facility include leverage, fixed charge, and minimum net worth tests. At January 2, 2004, Trimble was in compliance with all financial debt covenants. The amount due under the revolver loan is paid as the loan matures on June 25, 2006, and the loan commitment fees are paid on a quarterly basis.

Under the terms of the 2003 Credit Facility, the Company is allowed to pay dividends and repurchase shares of common stock up to 25% of net income in the previous fiscal year, under the existing terms of the credit facilities.

In July of 2000, Trimble obtained $200 million of senior, secured credit facilities (the "2000 Credit Facility") from a syndicate of banks to support the acquisition of Spectra Precision Group and its ongoing working capital requirements and to refinance certain existing debt. At January 3, 2003, Trimble had approximately $67.6 million outstanding under the 2000 Credit Facility, comprised of $32.6 million under a $100 million five-year term loan, $25 million under a $50 million US dollar only revolving credit facility ("revolver"), and $10 million under a $50 million multi-currency revolver. The Company had commitment fees on the unused portion of 0.5% assuming certain ratios were met. Pricing for any borrowings under the 2000 Credit Facility was fixed for the first six months at LIBOR plus 275 basis points and was thereafter tied to a formula, based on the leverage ratio.

Due to the full repayment of the Subordinated Note and the refinancing of the 2000 Credit Facility, the Company wrote off approximately $3.6 million of unamortized debt issuance costs and warrants issued in connection with the Subordinated Note, as interest expense in fiscal 2003.

Subordinated Note

In July of 2000, as part of the acquisition of Spectra Precision Group, the Company issued Spectra-Physics Holdings USA, Inc., a subordinated seller note that had a stated two-year maturity. On March 20, 2002, the Company renegotiated the terms of the subordinated note. Under the revised agreement, Spectra-Physics Holdings, Inc., a subsidiary of Thermo Electron, extended the due date of the note until July 14, 2004, at the current interest rate of approximately 10.4% per year.

As of January 3, 2003 the principal amount outstanding was approximately $69.1 million. As permitted by the 2000 Credit Facility, Trimble repaid the subordinated note during fiscal 2003.

Promissory Note and Others

The promissory note and others mainly consists of a $1.7 million liability arising from the purchase of a building for Trimble's Corvallis, Oregon site and other government loans in our foreign subsidiaries. The $1.7 million note is payable in monthly installments through April 2015, bearing a 3.99% variable interest rate as of January 2, 2004.

Weighted Average Cost of Debt

The weighted average cost of debt is approximately 2.9% for fiscal 2003 and 7.6% for fiscal 2002.

Note 10 - Lease Obligations and Commitments:

Trimble's principal facilities in the United States are leased under non-cancelable operating leases that expire at various dates through 2011. The Company has options to renew certain of these leases for an additional five years. Trimble also leases facilities under operating leases in the United Kingdom, Sweden, and Germany that expire in 2005.

Future minimum payments required under non-cancelable operating leases are as follows:

(In thousands)	Operating Lease Payments
2004	$ 10,129
2005	9,401
2006	2,322
2007	1,643
2008	1,489
Thereafter	3,157
Total	$ 28,141

Net rent expense under operating leases was $13.2 million in fiscal 2003, $5.9 million in fiscal 2002, and $9.6 million in fiscal 2001. Sublease income was $1.7 million, $4.7 million, and $3.5 million, respectively.

Note 11 - Fair Value of Financial Instruments:

The carrying amounts and fair values of Trimble's financial instruments are as follows:

	Carrying Amount	Fair Value	Carrying Amount	Fair Values
	January 2, 2004		January 3, 2003	
(In thousands)				
Assets:				
Cash and cash equivalents (See Note 1)	$ 45,416	$ 45,416	$ 28,679	$ 28,679
Forward foreign currency exchange contracts (See Note 6)	1,412	1,328	125	297
Accounts receivable	103,350	103,350	79,645	79,645
Liabilities:				
Subordinated notes (See Note 9)	-	-	69,136	65,798
Credit facilities (See Note 9)	87,750	87,750	67,600	67,600
Promissory note and other (See Note 9)	2,736	2,335	1,789	1,421
Accounts payable	26,019	26,019	30,669	30,669

The fair value of the subordinated notes, bank borrowings, and promissory notes have been estimated using an estimate of the interest rate Trimble 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 Trimble would currently have to pay to extinguish any of this debt.

The fair value of forward foreign exchange contracts is estimated based on the difference between the market price and the carrying amount of comparable contracts. These contracts are adjusted to fair value at the end of every month.

Note 12 - Income Taxes:

Trimble's income tax provision (benefit) consisted of the following:

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001
(In thousands)			
US Federal:			
Current	$ 513	$ -	$ -
Deferred	(7,000)	-	-
	(6,487)	-	-
US State:			

Current	250	142	58
Deferred	(600)	-	-
	(350)	142	58
Non-US:			
Current	1,594	2,052	2,729
Deferred	2,343	1,306	(887)
	3,937	3,358	1,842
Income tax provision (benefit)	$ (2,900)	$ 3,500	$1,900

The pre-tax US income (loss) from continuing operations was approximately $39.5 million, $3.3 million and $(29.3) million in fiscal years 2003, 2002 and 2001, respectively.

The income tax provision (benefit) differs from the amount computed by applying the statutory federal income tax rate to income before taxes. The sources and tax effects of the differences are as follows:

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001
(In thousands)			
Expected tax from continuing operations at 35% in all years	$ 12,455	$ 4,839	$(7,557)
Change in valuation allowance	(15,028)	(1,156)	9,704
Non-US tax rate differential	-	(137)	(855)
Goodwill amortization	-	-	747
Other	(327)	(46)	(139)
Income tax provision (benefit)	$ (2,900)	$ 3,500	$ 1,900
Effective tax rate	(8%)	25%	(9%)

The components of deferred taxes consist of the following:

As of	January 2, 2004	January 3, 2003
(In thousands)		
Deferred tax liabilities:		
Purchased intangibles	$ 1,338	$ 381
Depreciation and amortization	3,776	2,258
Other individually immaterial items	251	(78)
Total deferred tax liabilities	5,365	2,561
Deferred tax assets:		
Inventory valuation differences	9,001	12,069
Expenses not currently deductible	5,528	5,762
US Federal credit carryforwards	9,150	8,172
Deferred revenue	4,280	4,317
US State credit carryforwards	6,999	6,215
Warranty	2,374	2,374
Depreciation and amortization	2,871	3,184
US Federal net operating loss (NOL) carryforward	-	4,451
Other individually immaterial items	3,106	1,827
Total deferred tax assets	43,309	48,371
Valuation allowance	(34,756)	(47,878)
Total deferred tax assets	8,553	493
Total net deferred tax assets/(liabilities)	$ 3,188	$(2,068)

The Company has US Federal credit carryforwards of approximately $9.1 million that expire beginning in 2004. The Company has state research and development credit carryforwards of approximately $10.4 million which do not expire.

The change in valuation allowance in 2003 includes net operating losses realized as well as the benefit given to certain deferred tax assets in the amount of $7.6 million based on management's assessment that it is more likely than not that such assets will be realized. The valuation allowance decreased by $13.1 million in 2003 and decreased by $3.1 million in 2002. Approximately $14.1 million of the valuation allowance at January 2, 2004 relates to the tax benefits of stock option deductions, which will be credited to equity if and when realized.

Note 13 - Shareholders' Equity:

3-for-2 Stock Split

Trimble's Board of Directors approved a 3-for-2 split of all outstanding shares of the Company's Common Stock, payable March 4, 2004 to stockholders of record on February 17, 2004. Cash will be paid in lieu of fractional shares. All share and per share information have been adjusted to reflect the stock split on a retroactive basis for all periods presented.

Common Stock

On April 14, 2003, Trimble sold 3,148,000 shares of its Common Stock, no par value per share, to an investor at a price of $12.17 per share in an offering pursuant to its shelf registration statement. The offering resulted in net proceeds to Trimble of approximately $36.6 million, approximately $31 million of which was used to pay down the principal balance and $5.6 million was used to pay down the accrued interest due on the Subordinated Note (see Note 9 to the Consolidated Financial Statements).

On December 21, 2001, Trimble completed a private placement of 2,675,006 shares of its Common Stock at a price of $10.00 per share to certain qualified investors, resulting in gross proceeds of approximately $26.8 million to the Company. On January 15, 2002, Trimble had a second closing of the private placement issuing 1,920,006 shares of Common Stock at $10.00 per share resulting in gross proceeds of an additional $19.2 million.

2002 Stock Plan

In 2002, Trimble's Board of Directors adopted the 2002 Stock Plan ("2002 Plan"). The 2002 Plan approved by the shareholders provides for the granting of incentive and non-statutory stock options for up to 3,000,000 shares plus any shares currently reserved but un-issued to employees, consultants, and directors of Trimble. Incentive stock options may be granted at exercise prices that are not less than 100% of the fair market value of Common Stock on the date of grant. Employee stock options granted under the 2002 Plan have 120-month terms, and vest at a rate of 20% at the first anniversary of grant, and monthly thereafter at an annual rate of 20%, with full vesting occurring at the fifth anniversary of the grant. The exercise price of non-statutory stock options issued under the 2002 Plan must be at least 85% of the fair market value of Common Stock on the date of grant. As of January 2, 2004, options to purchase 2,326,742 shares were outstanding and 619,949 were available for future grant under the 2002 Plan.

1993 Stock Option Plan

In 1992, Trimble's Board of Directors adopted the 1993 Stock Option Plan ("1993 Plan"). The 1993 Plan, as amended to date and approved by shareholders, provides for the granting of incentive and non-statutory stock options for up to 9,562,500 shares of Common Stock to employees, consultants, and directors of Trimble. Incentive stock options may be granted at exercise prices that are not less than 100% of the fair market value of Common Stock on the date of grant. Employee stock options granted under the 1993 Plan have 120-month terms, and vest at a rate of 20% at the first anniversary of grant, and monthly thereafter at an annual rate of 20%, with full vesting occurring at the fifth anniversary of grant. The exercise price of non-statutory stock options issued under the 1993 Plan must be at least 85% of the fair market value of Common Stock on the date of grant. As of January 2, 2004, options to purchase 4,799,045 shares were outstanding, and 980,627 shares were available for future grant under the 1993 Plan.

1990 Director Stock Option Plan

In December 1990, Trimble adopted a Director Stock Option Plan under which an aggregate of 570,000 shares of Common Stock have been reserved for issuance to non-employee directors as approved by the shareholders to date. At January 2, 2004, options to purchase 287,501 shares were outstanding, and no shares were available for future grants under the Director Stock Option Plan.

1992 Management Discount Stock Option Plan

In 1992, Trimble's Board of Directors approved the 1992 Management Discount Stock Option Plan ("Discount Plan"). Under the Discount Plan, 450,000 non-statutory stock options were reserved for grant to management employees at exercise prices that may be significantly discounted from the fair market value of Common Stock on the dates of grant. Options are generally exercisable six months from the date of grant. As of January 2, 2004, there were no shares available for future grants. For accounting purposes, compensation cost on these grants is measured by the excess over the discounted exercise prices of the fair market value of Common Stock on the dates of option grants. There were no discounted options granted in the plan in fiscal 2003, 2002, and 2001. As of January 2, 2004, options to purchase 187,500 shares were outstanding under the 1992 Management Discount Stock Option Plan.

1988 Employee Stock Purchase Plan

In 1988, Trimble established an employee stock purchase plan under which an aggregate of 5,025,000 shares of Common Stock have been reserved for sale to eligible employees as approved by the shareholders to date. The plan permits full-time employees to purchase Common Stock through payroll deductions at 85% of the lower of the fair market value of the Common Stock at the beginning or at the end of each six-month offering period. In fiscal 2003 and 2002, 328,044 shares and 362,412 shares, respectively, were issued under the plan for aggregate proceeds to the Company of $3.1 million and $2.9 million, respectively. At January 2, 2004, the number of shares reserved for future purchases by eligible employees was 428,216.

SFAS 123 Disclosures

As stated in Note 1 of the Notes to the Consolidated Financial Statements, Trimble has elected to follow APB 25 and related interpretations in accounting for its employee stock options and stock purchase plans. The alternative fair value accounting provided for under SFAS 123 requires use of option pricing models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of Trimble's employee stock options equals the market price of the underlying stock on date of grant, no compensation expense is recognized.

Exercise prices for options outstanding as of January 2, 2004, ranged from $5.33 to $34.46. The weighted average remaining contractual life of those options is 6.91 years. In view of the wide range of exercise prices, Trimble considers it appropriate to provide the following additional information in respect of options outstanding:

		Options Outstanding			Options Exercisable
Range	Number Outstanding(1)	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Life	Number Exercisable(1)	Weighted-Average Exercise Price per Share
$ 5.33 - 6.63	908	5.70	5.01	873	$ 5.71
6.67 - 8.53	861	7.91	6.03	614	7.89
8.75 - 9.33	111	9.10	6.07	65	8.94
10.23	843	10.23	8.47	228	10.23
10.25 - 11.43	957	10.81	6.13	585	10.66
11.65 - 11.67	780	11.65	6.74	426	11.65
11.93 - 15.71	783	13.29	6.18	525	13.13
16.04	21	16.04	6.02	17	16.04
17.00	1,064	17.00	9.53	5	17.00
17.55 - 34.46	1,274	26.37	6.86	800	27.01
Total	7,601	13.61	6.91	4,136	$ 12.76

(1) In thousands

Activity during fiscal 2003, 2002, and 2001, under the combined plans was as follows:

	January 2, 2004		January 3, 2003		December 28, 2001	
Fiscal Years Ended	Options	Weighted average exercise price	Options	Weighted average exercise price	Options	Weighted average exercise price

(In thousands, except for per share data)						
Outstanding at beginning of year	7,691	$ 12.35	6,932	$ 12.69	6,390	$ 12.73
Granted	1,298	16.87	1,275	9.88	1,605	11.39
Exercised	(1,263)	8.90	(199)	6.67	(436)	8.61
Cancelled	(125)	15.51	(317)	13.46	(627)	12.37
Outstanding at end of year	7,601	$ 13.61	7,691	$ 12.35	6,932	$ 12.69
Exercisable at end of year	4,136	$ 12.76	4,005	$ 11.69	3,009	$ 10.84
Available for grant	1,605		2,790		1,565	
Weighted-average fair value of options granted during year		$ 10.03		$ 5.64		$ 6.39

Non-statutory Options

On May 3, 1999, Trimble entered into an agreement to grant a non-statutory option to purchase up to 45,000 shares of common stock at an exercise price of $6.50 per share, with an expiration date of March 29, 2004.

As of January 2, 2004, these non-statutory options have not been exercised.

Warrants

On April 12, 2002, the Company issued to Spectra-Physics Holdings USA, Inc., a warrant to purchase up to 564,350 shares of Trimble's Common Stock over a fixed period of time. Initially, Spectra-Physics' warrant entitles it to purchase 300,000 shares of Common Stock over a five-year period at an exercise price of $10.07 per share. On a quarterly basis beginning July 14, 2002, Spectra-Physics' warrant became exercisable for an additional 375 shares of Common Stock for every $1 million of principal and interest outstanding to Spectra-Physics until the obligation is paid off in full. These shares are purchasable at a price equal to the average of Trimble's closing price for the five days immediately preceding the last trading day of each quarter. On July 14, 2002 an additional 26,046 shares became exercisable at an exercise price of $9.64 per share. On October 14, 2002 an additional 26,736 shares became exercisable at an exercise price of $6.12. On January 14, 2003, an additional 27,426 shares became exercisable at an exercise price of $9.03. On April 14, 2003, an additional 14,312 shares became exercisable at an exercise price of $13.37. The additional shares are exercisable over a 5-year period. No additional shares will be issuable under the warrant to Spectra-Physics as the underlying obligation has been paid off in full.

The approximate fair value of the warrants of $2.4 million was determined using the Black-Scholes pricing model with the following assumptions: contractual life of 5-year period, risk-free interest rate of 4%; volatility of 65%; and no dividends during the contractual term. The value of the warrants was being amortized to interest expense over the term of the subordinated note and the unamortized balances was written off to interest expense on June 2003 upon repayment of the note.

On December 21, 2001 and January 15, 2002, in connection with the first and second closing of the private placement of the Company's Common Stock, Trimble granted five-year warrants to purchase an additional 919,008 shares of Common Stock, subject to certain adjustments, at an exercise price of $12.97 per share.

Common Stock Reserved for Future Issuances

As of January 2, 2004, Trimble had reserved 11,371,652 common shares for issuance upon exercise of options and warrants outstanding and options available for grant under the 2002 Plan, the 1993 Plan, the 1990 Director Plan, and the 1992 Management Discount Plan, and available for issuance under the 1988 Employee Stock Purchase Plan.

Note 14 - Benefit Plans:

401(k) Plan

Under Trimble's 401(k) Plan, US employee participants (including employees of certain subsidiaries) may direct the investment of contributions to their accounts among certain mutual funds and the Trimble Navigation Limited Common Stock Fund. The Trimble Fund sold net 61,238 shares of Common Stock for an aggregate of $0.9 million in fiscal 2003. Trimble, at its discretion, matches individual employee 401(k) Plan contributions at a rate of fifty cents of every dollar that the employee contributes to the 401(k) Plan up to 5% of the employee's annual salary to an annual maximum of $2,500. Trimble's matching contributions to the 401(k) Plan were $1.8 million in fiscal 2003, $1.8 million in fiscal 2002, and $1.7 million in fiscal 2001.

Profit-Sharing Plan

In 1995, Trimble introduced an employee profit-sharing plan in which all employees, excluding executives and certain levels of management, participate. The plan distributes to employees approximately 5% of quarterly adjusted pre-tax income. Payments under the plan during fiscal 2003, 2002 and 2001 were $2.5 million, $1.1 million, and $0.9 million, respectively.

Defined Contribution Pension Plans

Certain of the Company's European subsidiaries participate in state sponsored pension plans. Contributions are based on specified percentages of employee salaries. For these plans, Trimble contributed and charged to expense approximately $2.0 million for fiscal 2003, $1.4 million for fiscal 2002, and $1.4 million for fiscal 2001.

Defined Benefit Pension Plan

The Swedish and German subsidiaries have an unfunded defined benefit pension plan that covered substantially all of their full-time employees through 1993. Benefits are based on a percentage of eligible earnings. The employee must have had a projected period of pensionable service of at least 30 years as of 1993. If the period was shorter, the pension benefits were reduced accordingly. Active employees do not accrue any future benefits; therefore, there is no service cost and the liability will only increase for interest cost.

Net periodic benefit costs in fiscal 2003, 2002, and 2001 were not material.

The changes in the benefit obligations and plan assets of the significant non-US defined benefit pension plans for fiscal 2003 and 2002 were as follows:

Fiscal Years Ended	January 2, 2004	January 3, 2003(1)
(in thousands)		
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 4,972	$ 4,105
Interest cost	328	317
Benefits paid	(256)	(212)
Foreign exchange impact	1,102	814
Actuarial (gains) losses	58	(52)
Benefit obligation at end of year	6,204	4,972
Change in plan assets:		
Fair value of plan assets at beginning of year	787	731
Actual return on plan assets	29	122
Employer contribution	150	121
Plan participants' contributions	-	-
Benefits paid	(256)	(212)
Foreign exchange impact	162	24
Fair value of plan assets at end of year	872	786
Benefit obligation in excess of plan assets	5,332	4,186
Unrecognized prior service cost	-	-
Unrecognized net actuarial gain	35	25
Accrued pension costs (included in accrued liabilities)	$ 5,297	$ 4,161

(1) Prior year's disclosure has been restated to correct for a clerical error.

Actuarial assumptions used to determine the net periodic pension costs for the year ended January 2, 2004 were as follows:

	Swedish Subsidiary	German Subsidiaries
Discount rate	5.5%	6.0%
Rate of compensation increase	2.5%	1.5%

Note 15 - Earnings Per Share:

The following data show the amounts used in computing earnings (loss) per share and the effect on the weighted-average number of shares of potentially dilutive Common Stock.

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001
(in thousands, except per share data)			
Numerator:			
Income available to common shareholders:			
Used in basic and diluted earnings (loss) per share from continuing operations	$ 38,485	$ 10,324	$ (23,492)
Used in basic and diluted earnings per share from discontinued operations	-	-	613
Used in basic and diluted earnings (loss) per share	$ 38,485	$ 10,324	$ (22,879)
Denominator:			
Weighted-average number of common shares used in basic earnings (loss) per share	47,505	42,860	37,091
Effect of dilutive securities (using treasury stock method):			
Common stock options	2,058	705	-
Common stock warrants	449	13	-
Weighted-average number of common shares and dilutive potential common shares used in diluted income per share	50,012	43,578	37,091
Basic earnings (loss) per share from continuing operations	$ 0.81	$ 0.24	$ (0.63)
Basic earnings per share from discontinued operations	-	-	0.01
Basic earnings (loss) per share	$ 0.81	$ 0.24	$ (0.62)
Diluted earnings (loss) per share from continuing operations	$ 0.77	$ 0.24	$ (0.63)
Diluted earnings per share from discontinued operations	-	-	0.01
Diluted income (loss) per share	$ 0.77	$ 0.24	$ (0.62)

Due to the fact that the Company reported a net loss in fiscal 2001, options and warrants were not included in the computation of earnings per share in fiscal 2001. If the Company had reported net income in 2001, additional 1,407,000 common equivalent shares related to outstanding options and warrants would have been included in the calculation of diluted loss per share.

Note 16 - Comprehensive Income (Loss):

The components of comprehensive income (loss), net of related tax as follows:

Fiscal Years Ended	January 2, 2004	January 3, 2003	December 28, 2001
(in thousands)			
Net income (loss)	$ 38,485	$10,324	$(22,879)
Foreign currency translation adjustments	31,198	17,697	(9,766)
Net gain (loss) on hedging transactions	(7)	210	(203)
Net unrealized gain (loss) on investments	74	(17)	16
Comprehensive income (loss)	$ 69,750	$28,214	$(32,832)

The components of accumulated other comprehensive (loss), net of related tax as follows:

Fiscal Years Ended	January 2, 2004	January 3, 2003
(in thousands)		
Cumulative foreign currency translation adjustments	$ 30,166	$ (1,032)
Net gain on hedging transactions	-	7
Net unrealized gain (loss) on investments	73	(1)
Accumulated other comprehensive income (loss)	$ 30,239	$ (1,026)

Note 17 - Related-Party Transactions:

Related-Party Lease

Trimble currently leases office space in Ohio from an association of three individuals, one of whom is an employee of one of the US operating units, under a non-cancelable operating lease arrangement expiring in 2011. The annual rent is subject to adjustment based on the terms of the lease. The Consolidated Statements of Operations include expenses from this operating lease of $0.35 million for fiscal 2003, fiscal 2002, and fiscal 2001.

Related -Party Notes Receivable

Trimble has notes receivable from officers and employees of approximately $0.8

million as of January 2, 2004 and $1.2 million as of January 3, 2003. The notes bear interest from 4.49% to 6.62% and have an average remaining life of 1.47 years as of January 2, 2004.

See Note 3 to the Notes to the Consolidated Financial Statements for additional information regarding Trimble's related party transactions with joint venture partners.

Note 18 - Statement of Cash Flow Data:

Fiscal Years Ended (in thousands)	January 2, 2004	January 3, 2003	December 28, 2001
Supplemental disclosure of cash flow information:			
Interest paid	$ 10,208	$ 12,215	$ 17,363
Income taxes paid	$ 688	$ 2,635	$ 825
Significant non-cash investing activities:			
Issuance of shares related to invest in joint venture	$ 5,922	$ -	$ -
Issuance of shares related to LeveLite earn-out payments	$ 1,349	$ 336	$ -

Note 19 - Litigation:

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

Note 20 - Selected Quarterly Financial Data (unaudited):

(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2003				
Revenue	$ 127,325	$ 138,132	$ 139,569	$ 135,877
Gross margin	61,755	71,095	69,112	66,068
Net income	5,353	8,105	9,936	15,091
Basic net income per share	0.12	0.17	0.20	0.30
Diluted net income per share	0.12	0.16	0.19	0.28
Fiscal 2002				
Revenue	$ 104,029	$ 123,256	$ 114,748	$ 124,569
Gross margin	54,333	60,951	57,581	61,567
Net income (loss)	(715)	4,326	2,708	4,005
Basic net income (loss) per share	(0.02)	0.10	0.06	0.09
Diluted net income (loss) per share	(0.02)	0.10	0.06	0.09

Significant quarterly items for fiscal 2003 include the following: (i) in the first quarter of 2003 a $0.4 million charge or $0.01 per diluted share relating to workforce reduction; (ii) in the second quarter of 2003 a $0.7 million charge, or $0.01 per diluted share relating to work force reduction and $3.6 million of interest expenses, or $0.07 per diluted share relating to the Company's debt refinancing; (iii) in the third quarter of 2003 a $0.6 million charge, or $0.01 per diluted share relating to work force reduction; (iv) in the fourth quarter of 2003 a $0.3 million charge, or less than $0.01 per diluted share relating to work force reduction.

Significant quarterly items for fiscal 2002 include the following: (i) in the first quarter of 2002 a $0.3 million charge or $0.01 per diluted share relating to workforce reduction; (ii) in the second quarter of 2002 a $0.2 million charge, or less than $0.01 per diluted share relating to work force reduction;

(iii) in the third quarter of 2002 a $0.2 million charge, or less than $0.01 per diluted share relating to work force reduction and a $0.2 million gain, or less than $0.01 per diluted share relating to the sale of an investment; (iv) in the fourth quarter of 2002 a $0.5 million charge, or $0.01 per diluted share relating to work force reduction and a $1.5 million charge, or $0.03 per diluted share relating to the write-down of an investment.

Note 21 - Subsequent Events

3-for-2 Stock Split

Trimble's Board of Directors approved a 3-for-2 split of all outstanding shares of the Company's Common Stock, payable March 4, 2004 to stockholders of record on February 17, 2004. Cash will be paid in lieu of fractional shares. All share and per share information have been adjusted to reflect the stock split on a retroactive basis for all periods presented.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Shareholders, Trimble Navigation Limited

We have audited the accompanying Consolidated Balance Sheets of Trimble Navigation Limited as of January 2, 2004 and January 3, 2003, and the related Consolidated Statements of Operations, Shareholders' Equity, and Cash Flows for each of the three years in the period ended January 2, 2004. Our audits also included the financial statement schedule listed in the index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule, based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and schedule referred to above present fairly, in all material respects, the consolidated financial position of Trimble Navigation Limited at January 2, 2004 and January 3, 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 2, 2004, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, effective December 29, 2001, the company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

/s/ Ernst & Young LLP

March 11, 2004
Palo Alto, California

Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9a. Controls and Procedures

(a) Controls and Procedures.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's 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, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

(b) Internal Control Over Financial Reporting.

There have not been any changes in the Company's 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 year to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

Item 10 Directors and Executive Officers of the Registrant

The information required by this item, insofar as it relates to Trimble's directors, will be contained under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement and is incorporated herein by reference. The information required by this item relating to executive officers is set forth above in Item 1 Business Overview under the caption "Executive Officers."

Code of Ethics

The Company's Business Ethics and Conduct Policy that applies, among others, to the Company's Chief Executive Officer, Chief Financial Officer, Corporate Controller, and other finance organization employees. The Business Ethics and Conduct Policy is available on the Company's website at www.trimble.com under the heading "Corporate Governance and Policies" on the Investor Information page of our website. A copy will be provided, without charge, to any shareholder who requests one by written request addressed to General Counsel, Trimble Navigation Limited, 749 N. Mary Avenue, Sunnyvale, CA 94085.

If any substantive amendments to the Business Ethics and Conduct Policy are made or any waivers are granted, including any implicit waiver, from a provision of the Business Ethics and Conduct Policy, to its Chief Executive Officer, Chief Financial Officer or Corporate Controller, the Company will disclose the nature of such amendment or waiver on the Company's website at www.trimble.com or in a report on Form 8-K.

Item 11 Executive Compensation

The information required by this item will be contained in the Proxy Statement under the caption "Executive Compensation" and is incorporated herein by reference.

Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be contained in the Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management Related Stockholder Matters" and is incorporated herein by reference.

Item 13 Certain Relationships and Related Transactions

The information required by this item will be contained in the Proxy Statement under the caption "Certain Relationships and Related Transactions" and is incorporated herein by reference.

Item 14 Principal Accountant Fees and Services

The information required by this item will be contained in the Proxy Statement under the caption "Principal Accountant Fees and Services" and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on form 8-K

(a) 1. Financial Statements

The following consolidated financial statements required by this item are included in Part II Item 8 hereof under the caption "Financial Statements and Supplementary Data."

2. Financial Statement Schedules

The following financial statement schedule is filed as part of this report:

All other schedules have been omitted as they are either not required or not applicable, or the required information is included in the consolidated financial statements or the notes thereto.

3. Exhibits

Exhibit
Number

3.1 Restated Articles of Incorporation of the Company filed June 25, 1986. (5)

3.2 Certificate of Amendment of Articles of Incorporation of the Company filed October 6, 1988. (5)

3.3 Certificate of Amendment of Articles of Incorporation of the Company filed July 18, 1990. (5)

3.4 Certificate of Determination of the Company filed February 19, 1999. (5)

3.5 Certificate of Amendment of Articles of Incorporation of the Company filed May 29, 2003. (15)

3.8 Amended and Restated Bylaws of the Company. (16)

4.1 Specimen copy of certificate for shares of Common Stock of the Company. (1)

4.2 Preferred Shares Rights Agreement dated as of February 18, 1999. (4)

4.3 First Amended and Restated Stock and Warrant Purchase Agreement between and among the Company and the investors thereto dated January 14, 2002. (9)

4.4 Form of Warrant to Purchase Shares of Common Stock dated January 14, 2002. (10)

4.5 Form of Warrant dated April 12, 2002. (11)

10.4+ Form of Indemnification Agreement between the Company and its officers and directors. (1)

10.32+ 1990 Director Stock Option Plan, as amended, and form of Outside Director Non-statutory Stock Option Agreement. (3)

10.46+ 1992 Management Discount Stock Option and form of Non-statutory Stock Option Agreement. (2)

10.59+ 1993 Stock Option Plan, as amended May 11, 2000. (7)

10.60 + 1988 Employee Stock Purchase Plan, as amended May 11, 2000. (7)

10.65+ Standby Consulting Agreement between the Company and Bradford W. Parkinson dated September 1, 1998. (5)

10.66+ Standby Consulting Agreement between the Company and Robert S. Cooper dated September 1, 1998. (5)

10.67+ Employment Agreement between the Company and Steven W. Berglund dated March 17, 1999. (5)

10.68+ Nonqualified deferred Compensation Plan of the Company effective February 10, 1994. (5)

10.70***Supply Agreement dated August 10, 1999 by and among Trimble Navigation Limited and Solectron Corporation and Solectron Federal Systems, Inc. (6)

10.77+ Australian Addendum to the Trimble Navigation 1988 Employee Stock Purchase Plan. (8)

10.81+ 2002 Stock Plan, including form of Option. (12)

10.82 Credit Agreement dated June 25, 2003. (14)

10.83 Letter dated May 8, 2002 exercising renewal option of the Supply Agreement dated August 10, 1999 by and among Trimble Navigation Limited and Solectron Corporation and Solectron Federal Systems, Inc. (13)

21.1 Subsidiaries of the Company. (16)

23.1 Consent of Ernst & Young LLP, independent auditors. (16)

24.1 Power of Attorney included on signature page herein.

31.1 Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (16)

31.2 Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (16)

32.1 Certification of CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (16)

32.2 Certification of CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (16)

*** Confidential treatment has been granted for certain portions of this exhibit pursuant to an order dated effective October 5, 1999.

+ Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K pursuant to Item 14(c) thereof.

(1) Incorporated by reference to identically numbered exhibits 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 Registration Statement on Form S-1 (File No. 33-45990), which was filed February 18, 1992.

(3) Incorporated by reference to identically numbered exhibits to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.

(4) Incorporated by reference to Exhibit No. 1 to the registrant's Registration Statement on Form 8-A, which was filed on February 18, 1999.

(5) 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.

(6) Incorporated by reference to identically numbered exhibits to the registrant's Report on Form 8-K, which was filed on August 25, 1999.

(7) Incorporated by reference to identically numbered exhibits to the registrant's registration statement on Form S-8 filed on June 1, 2000.

(8) Incorporated by reference to identically numbered exhibits to the registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 2000.

(9) Incorporated by reference to exhibit number 4.1 to the registrant's Current Report on Form 8-K filed on January 16, 2002.

(10) Incorporated by reference to exhibit number 4.2 to the registrant's Current Report on Form 8-K filed on January 16, 2002.

(11) Incorporated by reference to exhibit number 4.1 to the registrant's Registration Statement on Form S-3 filed on April 19, 2002.

(12) Incorporated by reference to exhibit number 10.82 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2002.

(13) Incorporated by reference to exhibit number 10.83 to the registrant's Annual Report on Form 10-K for the year ended January 3, 2003.

(14) Incorporated by reference to exhibit number 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended July 4, 2003.

(15) 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.

(16) Filed herewith.

(b) Reports on Form 8-K.

On October 28, 2003, the Company filed a report on Form 8-K reporting the Company's quarterly earnings for the third fiscal quarter of 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

TRIMBLE NAVIGATION LIMITED

By: /s/ Steven W. Berglund

Steven W. Berglund,
President and Chief Executive Officer

March 10, 2004

POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Steven W. Berglund as his attorney-in-fact, with the power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Capacity in which Signed	Date
/s/ Steven W. Berglund ---------------------- Steven W. Berglund	President, Chief Executive Officer, Director	March 15, 2004
/s/ Mary Ellen Genovese ----------------------- Mary Ellen Genovese	Chief Financial Officer and Assistant Secretary (Principal Financial Officer)	March 15, 2004

/s/ Anup V. Singh Anup V. Singh	Corporate Controller (Principal Accounting Officer)	March 15, 2004
/s/ Robert S. Cooper Robert S. Cooper	Director	March 9, 2004
/s/ John B. Goodrich John B. Goodrich	Director	March 15, 2004
/s/ William Hart William Hart	Director	March 9, 2004
/s/ Ulf J. Johansson Ulf J. Johansson	Director	March 9, 2004
/s/ Bradford W. Parkinson Bradford W. Parkinson	Director	March 9, 2004
/s/ Nickolas W. Vande Steeg Nickolas W. Vande Steeg	Director	March 9, 2004

SCHEDULE II

TRIMBLE NAVIGATION LIMITED
VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS OF DOLLARS)

Allowance for doubtful accounts:	January 2, 2004	January 3, 2003	December 28, 2001
Balance at beginning of period	$ 9,900	$ 8,540	$ 6,538
Acquired allowance (1)	752	-	-
Bad debt expense	(32)	5,443	5,077
Write-offs, net of recoveries	(667)	(4,083)	(3,075)
Balance at end of period	$ 9,953	$ 9,900	$ 8,540
Inventory allowance:			
Balance at beginning of period	$ 25,150	$ 23,274	$ 19,285
Acquired allowance (2)	1,292	-	-
Additions to allowance	5,762	3,901	7,242
Write-offs, net of recoveries	(6,319)	(2,025)	(3,253)
Balance at end of period	$ 25,885	$ 25,150	$ 23,274

(1) Includes $168,000 acquired at July 7, 2003 as part of the acquisition of Applanix and $584,000 acquired at December 9, 2003 as part of the acquisition of MENSI.

(2) Includes $494,000 acquired at July 7, 2003 as part of the acquisition of Applanix and $797,000 acquired at December 9, 2003 as part of the acquisition of MENSI.

EXHIBIT 3.8

BYLAWS

OF

TRIMBLE NAVIGATION LIMITED

(amended and restated through January 22, 2004)

TABLE OF CONTENTS

BY-LAWS

OF

TRIMBLE NAVIGATION LIMITED

(amended and restated through January 22, 2004)

ARTICLE I

CORPORATE OFFICES

1.1 PRINCIPAL OFFICE.

The board of directors shall fix the location of the principal executive office of the corporation at any place within or outside the State of California. If the principal executive office is located outside such state, and the corporation has one or more business offices in such state, the board of directors shall fix and designate a principal business office in the State of California.

1.2 OTHER OFFICES.

The board of directors may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to do business.

ARTICLE II

MEETINGS OF SHAREHOLDERS

2.1 PLACE OF MEETINGS.

Meetings of shareholders shall be held at any place within or outside the State of California designated by the board of directors. In the absence of any such designation, shareholders' meetings shall be held at the principal executive office of the corporation.

2.2 ANNUAL MEETING.

The annual meeting of shareholders shall be held each year on a date and at a time designated by the board of directors. In the absence of such designation, the annual meeting of shareholders shall be held on the fourth Thursday of April in each year at 4:00 p.m. However, if such day falls on a legal holiday, then the meeting shall be held at the same time and place on the next succeeding full business day. At the meeting, directors shall be elected, and any other proper business may be transacted.

2.3 SPECIAL MEETING.

A special meeting of the shareholders may be called at any time by the board of directors, or by the chairman of the board, or by the president, or by one or more shareholders holding shares in the aggregate entitled to cast not less than ten percent (10%) of the votes at that meeting.

If a special meeting is called by any person or persons other than the board of directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the chairman of the board, the president, any vice president or the secretary of the corporation. The officer receiving the request shall cause notice to be promptly given to the shareholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5 of these by-laws, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing or affecting the time when a meeting of shareholders called by action of the board of directors may be held.

2.4 NOTICE OF SHAREHOLDERS' MEETINGS.

All notices of meetings of shareholders shall be sent or otherwise given in accordance with Section 2.5 of these by-laws not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted (no business other than that specified in the notice may be transacted) or (ii) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the shareholders. The notice of any meeting at which directors are to be elected shall include the name of any nominee or nominees whom, at the time of the notice, management intends to present for election.

If action is proposed to be taken at any meeting for approval of (i) a contract or transaction in which a director has a direct or indirect financial interest, pursuant to Section 310 of the Corporations Code of California (the "Code"), (ii) an amendment of the articles of incorporation, pursuant to Section 902 of the Code, (iii) a reorganization of the corporation, pursuant to Section 1201 of the Code, (iv) a voluntary dissolution of the corporation, pursuant to Section 1900 of the Code, or (v) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of the Code, the notice shall also state the general nature of that proposal.

2.5 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE.

Notice of any meeting of shareholders shall be given either personally or by first-class mail or telegraphic or other written communication, charges prepaid, addressed to the shareholder at the address of that shareholder appearing on the books of the corporation or given by the shareholder to the corporation for the purpose of notice. If no such address appears on the corporation's books or is given, notice shall be deemed to have been given if sent to that shareholder by first-class mail or telegraphic or other written communication to the corporation's principal executive office, or if published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

If any notice addressed to a shareholder at the address of that shareholder appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the shareholder at that address, all future notices or reports shall be deemed to have been duly given without further mailing if the same shall be available to the shareholder on written demand of the shareholder at the principal executive office of the corporation for a period of one (1) year from the date of the giving of the notice.

An affidavit of the mailing or other means of giving any notice of any shareholders' meeting, executed by the secretary, assistant secretary or any transfer agent of the corporation giving the notice, shall be prima facie evidence of the giving of such notice.

2.6 QUORUM.

The presence in person or by proxy of the holders of a majority of the shares entitled to vote thereat constitutes a quorum for the transaction of business at all meetings of shareholders. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

2.7 ADJOURNED MEETING; NOTICE.

Any shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the shares represented at that meeting, either in person or by proxy, but in the absence of a quorum, no other business may be transacted at that meeting, except as provided in Section 2.6 of these by-laws.

When any meeting of shareholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at the meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is

fixed, or unless the adjournment is for more than forty-five (45) days from the date set for the original meeting, in which case notice of the adjourned meeting shall be given. Notice of any such adjourned meeting shall be given to each shareholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 2.4 and 2.5 of these by-laws. At any adjourned meeting the corporation may transact any business which might have been transacted at the original meeting.

2.8 VOTING.

The shareholders entitled to vote at any meeting of shareholders shall be determined in accordance with the provisions of Section 2.11 of these by-laws, subject to the provisions of Sections 702 to 704, inclusive, of the Code (relating to voting shares held by a fiduciary, in the name of a corporation or in joint ownership).

The shareholders' vote may be by voice vote or by ballot; provided, however, that any election for directors must be by ballot if demanded by any shareholder before the voting has begun.

On any matter other than the election of directors, any shareholder may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, but, if the shareholder fails to specify the number of shares which the shareholder is voting affirmatively, it will be conclusively presumed that the shareholder's approving vote is with respect to all shares which the shareholder is entitled to vote.

If a quorum is present, the affirmative vote of the majority of the shares represented and voting at a duly-held meeting (which shares voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the shareholders, unless the vote of a greater number, or voting by classes, is required by the Code or by the articles of incorporation.

At a shareholders' meeting at which directors are to be elected, no shareholder shall be entitled to cumulate votes (i.e. cast for any candidate a number of votes greater than the number of votes which such shareholder normally is entitled to cast) unless the candidates' names have been placed in nomination prior to commencement of the voting and a shareholder has given notice prior to commencement of the voting of the shareholder's intention to cumulate votes. If any shareholder has given such a notice, then every shareholder entitled to vote may cumulate votes for candidates placed in nomination and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which that shareholder's shares are entitled, or distribute the shareholder's votes on the same principle among any or all of the candidates, as the shareholder thinks fit. The candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected.

2.9 VALIDATION OF MEETINGS: WAIVER OF NOTICE; CONSENT.

The transactions of any meeting of shareholders, either annual or special, however called and noticed, and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or a consent to the holding of the meeting or an approval of the minutes thereof. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of shareholders, except that if action is taken or proposed to be taken for approval of any of those matters specified in the second paragraph of Section 2.4 of these by-laws, the waiver of notice or consent shall state the general nature of the proposal. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance by a person at a meeting shall also constitute a waiver of notice of that meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of a matter not included in the notice of the meeting, if that objection is expressly made at the meeting.

2.10 SHAREHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Any action which may be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all shares entitled to vote on that action were present and voted.

In the case of election of directors, such a consent shall be effective only if signed by the holders of all outstanding shares entitled to vote for the election of directors.

All such consents shall be maintained in the corporate records. Any shareholder giving a written consent, or the shareholder's proxy holders, or a transferee of the shares, or a personal representative of the shareholder, or their respective proxy holders, may revoke the consent by a writing received by the secretary of the corporation before written consents of the number of shares required to authorize the proposed action have been filed with the secretary.

If the consents of all shareholders entitled to vote have not been solicited in writing, and if the unanimous written consent of all such shareholders shall not have been received, the secretary shall give prompt notice of the corporate action approved by the shareholders without a meeting. Such notice shall be given in the manner specified in Section 2.5 of these by-laws. In the case of approval of (i) a contract or transaction in which a director has a direct or indirect financial interest, pursuant to Section 310 of the Code, (ii) indemnification of a corporate "agent", pursuant to Section 317 of the Code, (iii) a reorganization of the corporation, pursuant to Section 1201 of the Code, and (iv) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of the Code, the notice shall be given at least ten (10) days before the consummation of any action authorized by that approval.

2.11 RECORD DATE FOR SHAREHOLDER NOTICE, VOTING AND GIVING CONSENTS.

For purposes of determining the shareholders entitled to notice of any meeting or to vote thereat or entitled to give consent to corporate action without a meeting, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of any such meeting nor more than sixty (60) days before any such action without a meeting, and in such event only shareholders of record on the date so fixed are entitled to notice and to vote or to give consents, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date, except as otherwise provided in the Code.

If the board of directors does not so fix a record date:

(a) the record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held; and

(b) the record date for determining shareholders entitled to give consent to corporate action in writing without a meeting, (i) when no prior action by the board has been taken, shall be the day on which the first written consent is given or (ii) when prior action by the board has been taken, shall be the day on which the board adopts the resolution relating to that action, or the sixtieth (60th) day before the date of such other action, whichever is later.

The record date for any other purpose shall be as provided in Article VIII of these by-laws.

2.12 PROXIES.

Every person entitled to vote for directors, or on any other matter, shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the secretary of the corporation. A proxy shall be deemed signed if the shareholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic, electronic transmission or otherwise) by the shareholder or the shareholder's attorney-in-fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the corporation stating that the proxy is revoked, or by a subsequent proxy executed by the person executing the prior proxy and presented to the meeting, or as to any meeting by attendance at such meeting and voting in person by the person executing the proxy or (ii) written notice of the death or incapacity of the maker of that proxy is received by the corporation before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Sections 705(e) and 705(f) of the Code.

2.13 INSPECTORS OF ELECTION.

Before any meeting of shareholders, the board of directors may appoint an inspector or inspectors of election to act at the meeting or its adjournment. If no inspector of election is so appointed, the chairman of the meeting may, and on the request of any shareholder or a shareholder's proxy shall, appoint an inspector or inspectors of election to act at the meeting. The number of inspectors shall be either one (1) or three (3). If inspectors are appointed at a meeting pursuant to the request of one (1) or more shareholders or proxies, the holders of a majority of shares or their proxies present at the meeting shall determine whether one (1) or three (3) inspectors are to be appointed. If any person appointed as inspector fails to appear or fails or refuses to act, the chairman of the meeting may, and upon the request of any shareholder or a shareholder's proxy shall, appoint a person to fill that vacancy.

Such inspectors shall:

(a) Determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies;

(b) Receive votes, ballots or consents;

(c) Hear and determine all challenges and questions in any way arising in connection with the right to vote;

(d) Count and tabulate all votes or consents;

(e) Determine when the polls shall close;

(f) Determine the result; and

(g) Do any other acts that may be proper to conduct the election or vote with fairness to all shareholders.

ARTICLE III

DIRECTORS

3.1 POWERS.

Subject to the provisions of the Code and any limitations in the articles of incorporation and these by-laws relating to action required to be approved by the shareholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

3.2 NUMBER AND QUALIFICATION OF DIRECTORS.

The number of directors of the corporation shall be not less than five (5) nor more than nine (9). The exact number of directors shall be seven (7) until changed, within the limits specified above, by a bylaw amending this Section 3.2, duly adopted by the board of directors or by the shareholders. The indefinite number of directors may be changed, or a definite number fixed without provision for an indefinite number, by a duly adopted amendment to the articles of incorporation or by an amendment to this bylaw duly adopted by the vote or written consent of holders of a majority of the outstanding shares entitled to vote; provided, however, that an amendment reducing the number or the minimum number of directors to a number less than nine (9) cannot be adopted if the votes cast against its adoption at a meeting of the shareholders, or the shares not consenting in the case of action by written consent, are equal to more than sixteen and two-thirds percent (16-2/3%) of the outstanding shares entitled to vote thereon. No amendment may change the stated maximum number of authorized directors to a number greater than two (2) times the stated minimum number of directors minus one (1).

3.3 ELECTION AND TERM OF OFFICE OF DIRECTORS.

Directors shall be elected at each annual meeting of shareholders to hold office until the next such annual meeting. Each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

3.4 VACANCIES.

Vacancies in the board of directors may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, except that a vacancy created by the removal of a director by the vote or written consent of the shareholders or by court order may be filled only by the vote of a majority of the outstanding shares entitled to vote thereon represented at a duly held meeting at which a quorum is present, or by the unanimous written consent of all shares entitled to vote thereon. Each director so elected shall hold office until the next annual meeting of the shareholders and until a successor has been elected and qualified.

A vacancy or vacancies in the board of directors shall be deemed to exist in the event of the death, resignation or removal of any director, or if the board of directors by resolution declares vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony, or if the authorized number of directors is increased, or if the shareholders fail, at any meeting of shareholders at which any director or directors are elected, to elect the number of directors to be elected at that meeting.

The shareholders may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors, but any such election other than to fill a vacancy created by removal, if by written consent, shall require the consent of the holders of a majority of the outstanding shares entitled to vote thereon.

Any director may resign effective on giving written notice to the chairman of the board, the president, the secretary or the board of directors, unless the notice specifies a later time for that resignation to become effective. If the resignation of a director is effective at a future time, the board of directors may elect a successor to take office when the resignation becomes effective.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE.

Regular meetings of the board of directors may be held at any place within or outside the State of California that has been designated from time to time by resolution of the board. In the absence of such a designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the board may be held at any place within or outside the State of California that has been designated in the notice of the meeting or, if not stated in the notice or if there is no notice, at the principal executive office of the corporation.

Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another; and all such directors shall be deemed to be present in person at the meeting.

3.6 REGULAR MEETINGS.

Regular meetings of the board of directors may be held without notice if the times of such meetings are fixed by the board of directors.

3.7 SPECIAL MEETINGS.

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board, the president, any vice president, the secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director s address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is delivered personally, or by telephone or telegram, it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the corporation.

3.8 QUORUM.

A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 3.10 of these by-laws. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the board of directors, subject to the provisions of Section 310 of the Code (as to approval of contracts or transactions in which a director has a direct or indirect material financial interest), Section 311 of the Code (as to appointment of committees) and Section 317(e) of the Code (as to indemnification of directors).

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.9 WAIVER OF NOTICE.

The transactions of any meeting of the board of directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes thereof. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting, before or at its commencement, the lack of notice to that director.

3.10 ADJOURNMENT.

A majority of the directors present, whether or not constituting a quorum may adjourn any meeting to another time and place.

3.11 NOTICE OF ADJOURNMENT.

Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case notice of the time and place shall be given before the time of the adjourned meeting, in the manner specified in Section 3.7 of these by-laws, to the directors who were not present at the time of the adjournment.

3.12 ACTION WITHOUT MEETING.

Any action required or permitted to be taken by the board of directors may be taken without a meeting, if all members of the board shall individually or collectively consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the board of directors. Such written consent and any counterparts thereof shall be filed with the minutes of the proceedings of the board.

3.13 FEES AND COMPENSATION OF DIRECTORS.

Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement of expenses, as may be fixed or determined by resolution of the board of directors. This Section 3.13 shall not be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee or otherwise and receiving compensation for those services.

3.14 APPROVAL OF LOANS TO OFFICERS.

The board of directors is authorized, without further shareholder approval, to approve loans from this corporation to officers of this corporation for the purpose of assisting in the acquisition of their primary residence in exceptional housing markets where such location is for the benefit of this corporation; provided that such loans are secured by such real property.

ARTICLE IV

COMMITTEES

4.1 COMMITTEES OF DIRECTORS.

The board of directors may, by resolution adopted by a majority of the authorized number of directors, designate one (1) or more committees, each consisting of two or more directors, to serve at the pleasure of the board. The board may designate one (1) or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the authorized number of directors. Any committee, to the extent provided in the resolution of the board, shall have all the authority of the board, except with respect to:

(a) the approval of any action which, under the Code, also requires shareholders' approval or approval of the outstanding shares;

(b) the filling of vacancies in the board of directors or in any committee;

(c) the fixing of compensation of the directors for serving on the board or any committee;

(d) the amendment or repeal of these by-laws or the adoption of new by-laws;

(e) the amendment or repeal of any resolution of the board of directors which by its express terms is not so amendable or repealable;

(f) a distribution to the shareholders of the corporation, except at a rate or in periodic amount or within a price range determined by the board of directors; or

(g) the appointment of any other committees of the board of directors or the members of such committees

4.2 MEETINGS AND ACTION OF COMMITTEES.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these by-laws, Section 3.5 (place of meetings), Section 3.6 (regular meetings), Section 3.7 (special meetings and notice), Section 3.8 (quorum), Section 3.9 (waiver of notice), Section 3.10 (adjournment), Section 3.11 (notice of adjournment) and Section 3.12 (action without meeting), with such changes in the context of those by-laws as are necessary to substitute the committee and its members for the board of directors and its members, except that the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee; special meetings of committees may also be called by resolution of the board of directors; and notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these by-laws.

ARTICLE V

OFFICERS

5.1 OFFICERS.

The officers of the corporation shall be a president, a secretary, and a chief financial officer. The corporation may also have, at the discretion of the board of directors, a chairman of the board, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 5.3 of these by-laws. Any number of offices may be held by the same person.

5.2 ELECTION OF OFFICERS.

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 or Section 5.5 of these by-laws, shall be chosen by the board, subject to the rights, if any, of an officer under any contract of employment.

5.3 SUBORDINATE OFFICERS.

The board of directors may appoint, or may empower the president to appoint, such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these by-laws or as the board of directors may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the board of directors at any regular or special meeting of the board or, except in case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES.

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these by-laws for regular appointments to that office.

5.6 CHAIRMAN OF THE BOARD.

The chairman of the board, if such an officer be elected, shall, if present, preside at meetings of the board of directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the board of directors or prescribed by these by-laws. If there is no president, the chairman of the board shall also be the chief executive officer of the corporation and shall have the powers and duties prescribed in Section 5.7 of these by-laws.

5.7 PRESIDENT.

Subject to such supervisory powers, if any, as may be given by the board of directors to the chairman of the board, if there be such an officer, the president shall be the chief executive officer of the corporation and shall, subject to the control of the board of directors, have general supervision, direction and control of the business and the officers of the corporation. He shall preside at all meetings of the shareholders and, in the absence of the chairman of the board, or if there be none, at all meetings of the board of directors. He shall have the general powers and duties of management usually vested in the office of president of a corporation, and shall have such other powers and duties as may be prescribed by the board of directors or these by-laws.

5.8 VICE PRESIDENTS.

In the absence or disability of the president, the vice presidents, if any, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors, these by-laws, the president or the chairman of the board.

5.9 SECRETARY.

The secretary shall keep or cause to be kept, at the principal executive office of the corporation, or such other place as the board of directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and shareholders, with the time and place of holding, whether regular or special (and, if special, how authorized and the notice given), the names of those present at directors meetings or committee meetings, the number of shares present or represented at shareholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the board of directors required by these by-laws or by law to be given, and he shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by these bylaws.

5.10 CHIEF FINANCIAL OFFICER.

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all money and other valuables in the name and to the credit of the corporation with such depositaries as may be designated by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, shall render to the president and directors, whenever they request it, an account of all of his transactions as chief financial officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or these by-laws.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

6.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The corporation shall, to the maximum extent and in the manner permitted by the Code, indemnify each of its directors and officers against expenses (as defined in Section 317(a) of the Code), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding (as defined in Section 317(a) of the Code), arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Article VI, a "director" or "officer" of the corporation includes any person (i) who is or was a director or officer of the corporation, (ii) who is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was a director or officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.2 INDEMNIFICATION OF OTHERS.

The corporation shall have the power, to the extent and in the manner permitted by the Code, to indemnify each of its employees and agents (other than directors and officers) against expenses (as defined in Section 317(a) of the Code), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding (as defined in Section 317(a) of the Code), arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Article VI, an "employee" or "agent" of the corporation (other than a director or officer) includes any person (i) who is or was an employee or agent of the corporation, (ii) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.3 PAYMENT OF EXPENSES IN ADVANCE.

Expenses incurred in defending any civil or criminal action or proceeding for which indemnification is required pursuant to Section 6.1 or for which indemnification is permitted pursuant to Section 6.2 following authorization thereof by the Board of Directors shall be paid by the corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined that the indemnified party is not entitled to be indemnified as authorized in this Article VI.

6.4 INDEMNITY NOT EXCLUSIVE.

The indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent that such additional rights to indemnification are authorized in the Articles of Incorporation.

6.5 INSURANCE INDEMNIFICATION.

The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation against any liability asserted against or incurred by such person in such capacity or arising out of such person's status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

6.6 CONFLICTS.

No indemnification or advance shall be made under this Article VI, except where such indemnification or advance is mandated by law or the order, judgment or decree of any court of competent jurisdiction, in any circumstance where it appears:

(1) That it would be inconsistent with a provision of the Articles of Incorporation, these bylaws, a resolution of the shareholders or an agreement in effect at the time of the accrual of the alleged cause of the action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(2) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

ARTICLE VII

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF SHARE REGISTER.

The corporation shall keep at its principal executive office, or at the office of its transfer agent or registrar, if either be appointed and as determined by resolution of the board of directors, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of shares held by each shareholder.

A shareholder or shareholders of the corporation holding at least five percent (5%) in the aggregate of the outstanding voting shares of the corporation or who holds at least one percent (1%) of such voting shares and has filed a Schedule 14B with the Securities and Exchange Commission relating to the election of directors, may (i) inspect and copy the records of shareholders' names and addresses and shareholdings during usual business hours on five (5) days' prior written demand on the corporation, (ii) obtain from the transfer agent of the corporation, on written demand and on the tender of such transfer agent's usual charges for such list, a list of the names and addresses of the shareholders who are entitled to vote for the election of directors, and their shareholdings, as of the most recent record date for which that list has been compiled or as of a date specified by the shareholder after the date of demand. Such list shall be made available to any such shareholder by the transfer agent on or before the later of five (5) days after the demand is received or five (5) days after the date specified in the demand as the date as of which the list is to be compiled.

The record of shareholders shall also be open to inspection on the written demand of any shareholder or holder of a voting trust certificate, at any time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate.

Any inspection and copying under this Section 7.1 may be made in person or by an agent or attorney of the shareholder or holder of a voting trust certificate making the demand.

7.2 MAINTENANCE AND INSPECTION OF BY-LAWS.

The corporation shall keep at its principal executive office, or if its principal executive office is not in the State of California, at its principal business office in such state, the original or a copy of these by-laws as amended to date, which by-laws shall be open to inspection by the shareholders at all reasonable times during office hours. If the principal executive office of the corporation is outside the State of California and the corporation has no principal business office in such state, the secretary shall, upon the written request of any shareholder, furnish to that shareholder a copy of these by-laws as amended to date.

7.3 MAINTENANCE AND INSPECTION OF OTHER CORPORATE RECORDS.

The accounting books and records, and the minutes of proceedings of the shareholders and the board of directors and any committee or committees of the board of directors, shall be kept at such place or places designated by the board of directors or, in absence of such designation, at the principal executive office of the corporation. The minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form.

The minutes and accounting books and records shall be open to inspection upon the written demand of any shareholder or holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or as the holder of a voting trust certificate. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. Such rights of inspection shall extend to the records of each subsidiary corporation of the corporation.

7.4 INSPECTION BY DIRECTORS.

Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of every kind and the physical properties of the corporation and each of its subsidiary corporations. Such inspection by a director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

7.5 ANNUAL REPORT TO SHAREHOLDERS; WAIVER.

The board of directors shall cause an annual report to be sent to the shareholders not later than one hundred twenty (120) days after the close of the fiscal year adopted by the corporation. Such report shall be sent at least fifteen (15) days before the annual meeting of shareholders to be held during the next fiscal year and in the manner specified in Section 2.5 of these by-laws for giving notice to shareholders of the corporation.

The annual report shall contain a balance sheet as of the end of the fiscal year and an income statement and statement of changes in financial position for the fiscal year, accompanied by any report of independent accountants or, if there is no such report, the certificate of an authorized officer of the corporation that the statements were prepared without audit from the books and records of the corporation.

The foregoing requirement of an annual report shall be waived so long as the shares of the corporation are held by less than one hundred (100) holders of record.

7.6 FINANCIAL STATEMENTS.

A copy of any annual financial statement and any income statement of the corporation for each quarterly period of each fiscal year, and any accompanying balance sheet of the corporation as of the end of each such period, that has been prepared by the corporation shall be kept on file in the principal executive office of the corporation for twelve (12) months; and each such statement shall be exhibited at all reasonable times to any shareholder demanding an examination of any such statement or a copy shall be mailed to any such shareholder.

If a shareholder or shareholders holding at least five percent (5%) of the outstanding shares of any class of stock of the corporation makes a written request to the corporation for an income statement of the corporation for the three-month, six-month or nine-month period of the then current fiscal year ended more than thirty (30) days before the date of the request, and for a balance sheet of the corporation as of the end of that period, the chief financial officer shall cause that statement to be prepared, if not already prepared, and shall deliver personally or mail that statement or statements to the person making the request within thirty (30) days after the receipt of the request. If the corporation has not sent to the shareholders its annual report for the last fiscal year, such report shall likewise be delivered or mailed to the shareholder or shareholders within thirty (30) days after the request.

The corporation shall also, on the written request of any shareholder, mail to the shareholder a copy of the last annual, semi-annual or quarterly income statement which it has prepared, and a balance sheet as of the end of that period.

The quarterly income statements and balance sheets referred to in this section shall be accompanied by the report, if any, of any independent accountants engaged by the corporation or the certificate of an authorized officer of the corporation that the financial statements were prepared without audit from the books and records of the corporation.

ARTICLE VIII

GENERAL MATTERS

8.1 RECORD DATE FOR PURPOSES OTHER THAN NOTICE AND VOTING.

For purposes of determining the shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action (other than action by shareholders by written consent without a meeting), the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) days before any such action, and in that case only shareholders of record at the close of business on the date so fixed are entitled to receive the dividend, distribution or allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date so fixed, except as otherwise provided in the Code.

If the board of directors does not so fix a record date, the record date for determining shareholders for any such purpose shall be at the close of business on the day on which the board adopts the applicable resolution or the sixtieth (60th) day before the date of that action, whichever is later.

8.2 CHECKS, DRAFTS, EVIDENCES OF INDEBTEDNESS.

All checks, drafts, or other orders for payment of money, notes, or other evidences of indebtedness, issued in the name of or payable to the corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the board of directors.

8.3 CORPORATE CONTRACTS AND INSTRUMENTS: HOW EXECUTED.

The board of directors, except as otherwise provided in these by-laws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances; and, unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.4 CERTIFICATES FOR SHARES.

A certificate or certificates for shares of the corporation shall be issued to each shareholder when any of such shares are fully paid, and the board of directors may authorize the issuance of certificates or shares as partly paid provided that these certificates shall state the amount of the consideration to be paid for them and the amount paid. All certificates shall be signed in the name of the corporation by the chairman of the board or vice chairman of the board or the president or a vice president and by the chief financial officer or an assistant treasurer or the secretary or an assistant secretary, certifying the number of shares and the class or series of shares owned by the shareholder. Any or all of the signatures on the certificate may be facsimile.

In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on a certificate shall have ceased to be that officer, transfer agent or registrar before that certificate is issued, it may be issued by the corporation with the same effect as if that person were an officer, transfer agent or registrar at the date of issue.

Notwithstanding the above paragraph, the corporation may adopt a system of issuance, recordation and transfer of its shares by electronic or other means not involving any issuance of certificates, including provisions for notice to purchasers in substitution for the required statements on certificates under sections 417, 418 and 1302 of the GCL, and as may be required by the California Corporations Commissioner in administering the Corporate Securities Law of 1968, which system (1) has been approved by the United States Securities and Exchange Commission, (2) is authorized in any statute of the United States or (3) is in accordance with Division 8 (commencing with Section 8101) of the California Commercial Code. Any system so adopted shall not become effective as to issued and outstanding certificated securities until the certificates therefor have been surrendered to the corporation.

8.5 LOST CERTIFICATES.

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and canceled at the same time. The board of directors may, in case any share certificate or certificate for any other security is lost, stolen or destroyed, authorize the issuance of replacement certificates on such terms and conditions as the board may require, including provision for indemnification of the corporation secured by a bond or other adequate security sufficient to protect the corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft or destruction of the certificate or the issuance of the replacement certificate.

8.6 CONSTRUCTION AND DEFINITIONS.

Unless the context requires otherwise, the general provisions, rules of construction and definitions in the Code shall govern the construction of these by-laws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

ARTICLE IX

AMENDMENTS

9.1 AMENDMENT BY SHAREHOLDERS.

New by-laws may be adopted or these by-laws may be amended or repealed by the vote or written consent of holders of a majority of the outstanding shares entitled to vote; provided, however, that if the articles of incorporation of the corporation set forth the number of authorized directors of the corporation, the authorized number of directors may be changed only by an amendment as required by applicable law.

9.2 AMENDMENT BY DIRECTORS.

Subject to the rights of the shareholders as provided in Section 9.1 of these by-laws, by-laws, other than a by-law or an amendment of a by-law changing the authorized number of directors (except to fix the authorized number of directors pursuant to a by-law providing for a variable number of directors), may be adopted, amended, or repealed by the board of directors.

EXHIBIT 21.1
TRIMBLE NAVIGATION LIMITED
LIST OF SUBSIDIARIES AS OF 3/5/04

Name of Subsidiary	Jurisdiction of Incorporation
Trimble Navigation Australia Pty Limited	Australia
Spectra Precision Pty Ltd.	Australia
Trimble Austria Handels mbH	Austria
Trimble Belgium BVBA	Belgium
Trimble Brasil Limitada	Brazil
Jamestown Manufacturing Corporation	California
Trimble Export Limited	California
Trimble Navigation International Limited	California
Trimble Specialty Products, Inc.	California
TR Navigation Corporation	California
Applanix Corporation	Canada
Trimble Canada Ltd.	Canada
Trimble Exchangeco Ltd.	Canada
Trimble Holdings Co.	Canada
Trimble Electronic Products (Shanghai) Co. Ltd.	China
Trimble Navigation Technology (Shanghai) Co. Ltd.	China
MENSI, Inc.	Delaware
SPHM Inc.	Delaware
Trimble Middle East WLL	Egypt
MENSI, S.A.	France
Trimble France S.A.S.	France
Trimble GmbH	Germany
Trimble Holdings GmbH	Germany
Trimble Kaiserslautern GmbH	Germany
Trimble terraSat GmbH	Germany
Trimble Jena GmbH	Germany
Trimble Italia SRL	Italy
Trimble Navigation Italia s.r.l	Italy
MENSI, KK	Japan
Trimble Japan K.K.	Japan
Spectra Precision de Mexico, SA de CV	Mexico
Trimble Mexico S de RL	Mexico
Trimble Europe B.V.	Netherlands
Datacom Software Research Limited	New Zealand

Trimble Navigation New Zealand Limited	New Zealand
Tripod Data Systems	Oregon
Trimble Navigation Singapore PTE Limited	Singapore
Trimble International Holdings S.L.	Spain
Trimble Navigation Iberica S.L.	Spain
Spectra Precision Scandinavia AB	Sweden
Trimble AB	Sweden
Applanix LLC	Texas
TNL Flight Services, Inc	Texas
Trimble Navigation Europe Limited	United Kingdom
Trimble U.K. Ltd.	United Kingdom
Trimble Mobile Solutions, Inc.	Virginia

EXHIBIT 23.1
TRIMBLE NAVIGATION LIMITED

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements, Form S-8 Nos. 33-37384, 33-39647, 33-45167, 33-45604, 33-46719, 33-50944, 33-57522, 33-62078, 33-78502, 33-84362, 33-91858, 333-04670, 333-28429, 333-53703, 333-84949, 333-38264, 333-65758, 333-65760, 333-97979, and Form S-3 Nos. 333-76986, 333-86656, 333-103676, 333-106893, pertaining to the 1983 Stock Option Plan, the Trimble Navigation Savings and Retirement Plan, the 1990 Director Stock Option Plan, the "Position Us for Progress" 1992 Employee Stock Bonus Plan, the 1992 Management Discount Stock Option Plan, the 1993 Stock Option Plan, C. Trimble Non-statutory Option Plan, the 2002 Stock Option Plan, the 1988 Employee Stock Purchase Plan, and various sales of Trimble Navigation Limited common stock, and the related Prospectuses, of our report dated January 23, 2004 with respect to the consolidated financial statements and schedule of Trimble Navigation Limited included in the Annual Report (Form 10-K) for the year ended January 2, 2004.

/s/ Ernst & Young LLP

March 11, 2004
Palo Alto, California

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Steven W. Berglund, certify that:

1. I have reviewed this annual report on Form 10-K of Trimble Navigation Limited.

2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual Report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Annual Report (the "Evaluation Date"); and

   c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls;

6. The registrant's other certifying officers and I have indicated in this Annual Report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 10, 2004

/s/ Steven W. Berglund

Steven W. Berglund

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Mary Ellen Genovese, certify that:

1. I have reviewed this annual report on Form 10-K of Trimble Navigation Limited.

2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual Report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Annual Report (the "Evaluation Date"); and

   c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls;

6. The registrant's other certifying officers and I have indicated in this Annual Report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 15, 2004

/s/ Mary Ellen Genovese

Mary Ellen Genovese
Chief Financial Officer

EXHIBIT NO. 32.1

CERTIFICATION OF CEO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Trimble Navigation Limited (the "Company") for the period ended January 2, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Steven W. Berglund, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(1) the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Steven W. Berglund

Steven W. Berglund
Chief Executive Officer

March 10, 2004

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

EXHIBIT NO. 32.2

CERTIFICATION OF CFO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Trimble Navigation Limited (the "Company") for the period ended January 2, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Mary Ellen Genovese, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of her knowledge, that:

(1) the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mary Ellen Genovese

Mary Ellen Genovese
Chief Financial Officer

March 15, 2004

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.