

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

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 1996

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 (I.R.S. Employer  
incorporation or organization) identification No.)

645 North Mary Avenue, Sunnyvale, California 94088  
(Address of Principal Executive Offices) (Zip Code)

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

Not Applicable  
(Former name, former address and former fiscal year,  
if changed since last report)

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 periods 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

As of June 30, 1996, there were 21,887,400 shares of Common Stock (no par value) outstanding.

(1)

TRIMBLE NAVIGATION LIMITED

This report 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. Actual results could differ materially from those indicated in the forward-looking statements as a result of the risk factors set forth in this report. The Company has attempted to identify forward-looking statements in this report by placing an asterisk (\*) preceding the sentence containing those statements.

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TRIMBLE NAVIGATION LIMITED  
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 1996	December 31, 1995
(In thousands)	(Unaudited)	(Note)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 20,080	\$ 29,711
Short term investments, at market	64,537	67,451
Accounts receivable, net	37,040	39,123
Inventories	40,633	31,201
Deferred income taxes	726	722
Other current assets	2,407	3,198
	165,423	171,406
	-----	-----
Net property and equipment	22,243	19,751
Intangible assets	1,748	870
Deferred income taxes	867	852
Other assets	3,968	3,884
	\$ 194,249	\$ 196,763
	-----	-----
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 1,326	\$ 2,014
Accounts payable	15,661	15,329
Accrued compensation and benefits	6,265	5,745
Other accrued liabilities	8,998	8,340
Customer advances	-	1,080
Income taxes payable	2,001	3,002
	34,251	35,510
	-----	-----
Noncurrent liabilities:		
Noncurrent portion of long-term debt and other liabilities	30,965	31,316
	65,216	66,826
	-----	-----
Shareholders' equity:		
Common stock, less notes receivable	123,322	120,449
Common stock warrants	700	700
Retained earnings	4,968	8,699
Unrealized gain (loss) on short term investments	(23)	102
Foreign currency translation adjustment	66	(13)
	129,033	129,937
	-----	-----
Total liabilities and shareholders' equity	\$ 194,249	\$ 196,763
	=====	=====

Note: The balance sheet at December 31, 1995, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See accompanying notes to condensed consolidated financial statements.

TRIMBLE NAVIGATION LIMITED  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
(In thousands, except per share data)				
Total revenue	\$ 58,602	\$ 59,012	\$ 115,324	\$ 108,909
Operating expenses:				
Cost of sales	27,037	23,537	53,052	43,619
Research and development	9,144	8,120	17,969	15,944
Sales and marketing	16,844	15,913	32,908	29,724
General and administrative	9,057	5,962	16,468	11,387
Total operating expenses	62,082	53,532	120,397	100,674
Operating income (loss)	(3,480)	5,480	(5,073)	8,235
Non operating income (expense):				
Interest income	1,150	612	2,397	1,071
Interest and other expenses	(926)	(1,024)	(1,895)	(2,097)
Foreign exchange gain (loss)	24	570	(93)	965
Total non operating income (expense)	248	158	409	(61)
Income (loss) before income taxes	(3,232)	5,638	(4,664)	8,174
Income tax provision (benefit)	(647)	1,351	(933)	1,960
Net income (loss)	\$ (2,585)	\$ 4,287	\$ (3,731)	\$ 6,214
Net income (loss) per share	\$ (0.12)	\$ 0.21	\$ (0.17)	\$ 0.31
Weighted average common and dilutive common equivalent shares	21,791	20,471	21,735	20,308

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	1996	1995
-----		
(In thousands)		
Net cash provided (used) by operating activities	\$ (6,041)	\$ 8,421
-----		
Cash flow from investing activities:		
Purchase of short term investments	(46,551)	(25,089)
Maturity of short term investments	34,252	14,950
Sales of short term investments	15,212	-
Equity investments	(1,400)	-
Acquisition of property and equipment	(6,624)	(6,642)
Capitalized patent expenditures	(438)	(522)
	-----	
Net cash used in investing activities	(5,549)	(17,303)
-----		
Cash flow from financing activities:		
Issuance of common stock	2,873	4,918
Collection of notes receivable	49	105
Payment of long-term debt	(963)	(779)
	-----	
Net cash provided by financing activities	1,959	4,244
-----		
Net decrease in cash and cash equivalents	(9,631)	(4,638)
Cash and cash equivalents -- beginning of period	29,711	17,643
	-----	
Cash and cash equivalents -- end of period	\$ 20,080	\$ 13,005
	=====	
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 787	\$ 1,940
Income taxes, net of refunds	\$ 83	\$ 500

See accompanying notes to condensed consolidated financial statements.

TRIMBLE NAVIGATION LIMITED  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - Basis of Presentation:

The condensed consolidated financial statements for the three and six months ended June 30, 1996, and 1995 presented in this Quarterly Report on Form 10-Q are unaudited. In the opinion of management, these statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the results for the interim periods presented. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report to Shareholders for the year ended December 31, 1995.

The results of operations for the three month and six month periods ended June 30, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996.

NOTE 2 - Inventories:

Inventories consist of the following:

	June 30, 1996	December 31, 1995
-----		
(In thousands)		
Raw materials	\$ 19,974	\$ 15,892
Work-in-process	7,709	6,782
Finished goods	12,950	8,527
	-----	-----
	\$ 40,633	\$ 31,201
	-----	-----

NOTE 3 - New Accounting Standards:

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The implementation of this new accounting standard did not have a material impact on the Company's consolidated operating results or financial position.

NOTE 4 - Contingencies:

NovAtel Litigation

In November 1994, the Company was named as a defendant in an action commenced in the United States District Court for the District of Rhode Island, NovAtel Communication Ltd. v. Trimble Navigation Limited, C.A. No. 94-0498 (ML). Plaintiff NovAtel sought preliminary and permanent injunctive relief, unspecified damages and interest thereon, costs and disbursements, including reasonable attorneys' fees, based upon the Company's alleged infringement of U.S. Patent No. 5,101,416 (the '416 patent).

On April 21, 1995, the Company filed suit against NovAtel for infringement of the Company's U.S. Patent No. 4,754,465 (the `465 patent) in the United States District Court, Northern District of California, San Jose Division, Trimble Navigation v. NovAtel Communications Ltd, C.A. No. C95-2405 SI. On February 27, 1996, Trimble filed a Complaint against NovAtel at the International Trade Commission in Washington, D.C., alleging unfair acts in the importation of goods, namely, infringement of its `465 patent, and seeking a permanent exclusion order to interdict the importation by or on behalf of NovAtel into this country of infringing GPS receivers manufactured and sold by NovAtel.

On July 16, 1996, the Company and NovAtel entered into an agreement resolving all matters in dispute and cross-licensing certain technologies. The agreement ends the litigation.

#### Shareholder Litigation

On December 6, 1995, two shareholders filed a class action lawsuit against the Company and certain directors and officers of the Company. Subsequent to that date, additional lawsuits were filed by other shareholders. The lawsuits were subsequently amended and consolidated into one Complaint which was filed on April 5, 1996. The amended consolidated Complaint asserts claims under the federal securities laws as a putative class action consisting of all persons who purchased the common stock of the Company during the period April 18, 1995, through December 5, 1995 (the "Class Period"). The plaintiffs allege that the defendants sought to induce the members of the Class to purchase the Company's common stock during the Class Period at artificially inflated prices. The plaintiffs seek unspecified rescissory or compensatory damages with interest thereon as well as reasonable attorneys' fees and extraordinary equitable and/or injunctive relief. The Company has filed a motion to dismiss which is scheduled to be heard by the Court on August 16, 1996. The Company does not believe that it is possible to predict the outcome of this litigation.

#### DAC Arbitration and Litigation

In February 1995, DAC International Inc. ("DAC"), then a distributor and sales representative of the Company, terminated its sales representative agreement with the Company and thereafter filed an arbitration claim against the Company in Palo Alto, California, seeking damages of approximately \$2,100,000. The damages alleged included claims for (i) damages resulting from the Company's failure to assist DAC in depleting its inventory of the Company's products by filling purchase orders from DAC's inventory list, (ii) unpaid commissions on certain sales of Company products, (iii) reimbursement for certain marketing expenses, and (iv) damages resulting from the Company's "debooking" of certain orders for its TNL 8100 product. On July 15, 1996, the Arbitrator issued a Final Liability and Opinion Award which called for the Company to pay a total of \$1,021,000 including interest, of which \$712,000 had already been paid on June 26, 1996. The Company paid the additional \$309,000 on July 16, 1996, in order to satisfy the Arbitrator's award. In the second quarter of 1996 the company charged \$850,000 against income in addition to the \$390,000 that was accrued in 1995 to cover the expected settlement.

On March 26, 1996, DAC filed a lawsuit entitled DAC International, Inc. v Trimble Navigation Ltd., Case No. 96-02032, filed in the District Court of Travis County, Texas. The Complaint includes those claims discussed above over which the arbitrator did not have jurisdiction. In addition, the Complaint makes claims of breach of contract, fraud and negligent misrepresentation. The Complaint also seeks declaratory judgment that the claims asserted are not subject to mandatory arbitration, unspecified compensatory and punitive damages, and attorneys' fees and costs. In April 1996, the Company removed this case to the Federal District Court for the Western District of Texas.

On August 6, 1996, Trimble agreed to pay DAC \$500,000 which was charged to income in the second quarter of 1996. As a result of this agreement all litigation between the Company and DAC has been settled.

#### Other Litigation

In July 1993, an individual filed a Complaint against the Company in which the individual alleges the Company has an obligation to him for commissions earned and services provided in an amount in excess of \$1,500,000. In June 1995, the Company's motion for summary judgment on all claims was granted by the court. The individual has filed an appeal for which no hearing date has yet been set. The Company believes the Complaint is without merit and intends to continue to defend itself vigorously.

A former shareholder has filed an action against the Company claiming rights to shares that were previously canceled on the Company's stock records pursuant to lost stock certificate indemnification agreements. The Company does not believe that there will be any adverse consequences to the Company as a result of this case.

In October 1995, an employee who was terminated by the Company in 1992 filed a Complaint against the Company alleging that his incentive stock options continued to vest and be exercisable subsequent to his termination. He seeks damages in excess of \$1,000,000. The Company has filed a general denial to the Complaint, and the matter is currently in discovery. The Company believes that the complaint is without merit and intends to defend itself vigorously.

#### Note 5 - Line of Credit

In August 1995, the Company entered into a \$30,000,000 unsecured line of credit agreement, that expires in July 1997, with two banks. The agreement enables the Company to borrow up to \$30,000,000 provided that certain financial and other covenants are met. The agreement provides for payment of a commitment fee of 0.5% for the unused portion of the line of credit. Borrowings bear interest at the higher of (i) one of the bank's annual prime rate and (ii) the federal funds rate plus 0.5%. To date no borrowings have been made under the line of credit. Under the current line of credit the Company is restricted from paying dividends.

As of June 30, 1996, the Company was not in compliance with certain covenants of the line of credit agreement. The agreement was subsequently amended and the Company is currently in compliance.

#### Note 6 - Acquisition

On July 2, 1996, the Company acquired the net assets of Terra Corporation, a New Mexico aviation corporation, in exchange for 140,860 shares of the Company's common stock and options to purchase 12,000 shares of the Company's common stock. This acquisition will be accounted for as a purchase and substantially all of the purchase price is expected to be allocated to goodwill.



TRIMBLE NAVIGATION LIMITED  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Revenues

Revenues for the three month and six month periods ended June 30, 1996, were \$58,602,000 and \$115,324,000 as compared with \$59,012,000 and \$108,909,000 in the corresponding 1995 periods. The table below shows revenues during the relevant period for each of the Company's business units:

	Quarter Ended June 30,			Six Months Ended June 30,		
	1996	1995	Increase/ (Decrease)	1996	1995	Increase/ (Decrease)
(In thousands)						
Surveying and mapping	34,213	35,674	(4%)	66,591	64,668	3%
Tracking and communications	15,588	13,384	16%	29,355	23,293	26%
Navigation, aviation and marine	6,102	6,879	(11%)	12,294	13,771	(11%)
Military	2,699	3,075	(12%)	7,084	7,177	(1%)
<b>Total</b>	<b>\$ 58,602</b>	<b>\$ 59,012</b>	<b>(1%)</b>	<b>\$ 115,324</b>	<b>\$ 108,909</b>	<b>6%</b>

Surveying and Mapping

The decrease in sales in the second quarter of 1996 compared to second quarter of 1995 was due to a slowdown in sales in Europe and Japan. Also during the quarter, the Company experienced delays in shipping newly introduced products and was unable to ship them until late in the quarter. The decrease in sales of survey and mapping products in the second quarter of 1996 was partially offset by an additional \$1,320,000 of revenue resulting from the early termination of a contract by a customer in Japan.

Tracking and Communications

Tracking and communications revenues were higher primarily as a result of revenues recognized related the contract with American Mobile Satellite Corporation (AMSC) which is discussed in more detail below. Tracking and communications revenues did not increase as much as expected due in part to lower sales of in vehicle navigation GPS boards by the OEM group that were expected to be sold as "after market" products. The Company believes that this slowdown was as a result of a shift in demand from "after market" to new car sales. There can be no assurance that the growth rates in either of these markets will be sustained in the near future.

In April 1995, the Company signed a large contract for the supply of Galaxy/GPS land mobile satellite terminals to American Mobile Satellite Corporation (AMSC), a Reston, Virginia, based company that provides a variety of voice and data services via satellite. AMSC contracted for delivery of product beginning in mid-1995 and continuing through 1996. AMSC requested late in the fourth quarter of 1995 that the Company cease delivery in part due to delays in their completion of software. Shipments under the original contract were halted in the fourth quarter of 1995 and the contract was amended. \$1,080,000 of contract renegotiation fees were recognized in the first quarter of 1996. The amended contract between the Company and AMSC calls for production line shutdown fees for the time that Trimble is not producing product for shipment to AMSC. Due to the uncertainty about AMSC's ability to pay, revenues for products shipped and contractual shutdown fees were not recognized until collection was considered probable. In the second quarter of 1996, the Company recognized \$1,700,000 in revenue from products shipped in December 1995 and March 1996 and \$1,000,000 of shutdown fees all of which have been paid.

In June 1996, AMSC announced the conclusion of a round of financing sufficient to continue operations and to initiate discussions about the resumption of shipments of the Galaxy product. At this time management is not able to determine when shipments under the amended contract will recur.

#### Aviation and Marine Navigation

Sales of navigation products were lower in the 1996 periods as compared to the 1995 periods, due in part to lower sales of handheld products. Sales of product acquired from Terra Corporation (see "Liquidity and Capital Resources" for additional information) are expected to increase aviation revenues for the rest of the year. \*The Company considers its aviation products to be a long term growth opportunity. \*It believes that success in this area will be dependent upon the success of a current strategic alliance with Honeywell. \*Significant shipments to Honeywell are expected to start in the third quarter of 1996. The Company's ability to ship such products are dependent upon FAA certification of these products. The Company expects to receive certification in the third quarter of 1996.

#### Military

Military sales are highly dependent on contracts which are subject to government approval and are, therefore, expected to continue to fluctuate from period to period. The Company believes that opportunities in this market have been substantially reduced by cutbacks in U.S. and foreign military spending.

#### Revenue outside the US

Sales to unaffiliated customers in locations outside the U.S. comprised approximately 48% of revenue in the first six months of 1996 and approximately 55% in the first six months of 1995. During 1996, lower revenues in Europe affected many of the Company's product lines, and in Japan revenues were lower, which primarily relating to surveying and mapping products. The Company anticipates that export revenue and sales made by its subsidiaries in locations outside the U.S. will continue to account for a significant portion of its revenue, and therefore the Company is subject to the risks inherent in these sales, including unexpected changes in regulatory requirements, exchange rates, governmental approval, tariffs or other barriers. Even though the U.S. Government announced on March 29, 1996, that it would support and maintain the GPS system, as well as eliminate the use of Selective Availability (S/A) (a method of degrading GPS accuracy) in certain foreign markets, there may be a reluctance to purchase products based on GPS technology given the control of GPS by the U.S. Government. The Company's results of operations could be adversely affected if the Company were unable to continue to generate significant sales in locations outside the U.S.

## Gross Margin

Gross margin varies on a quarterly basis due to a number of factors, including product mix, domestic versus international sales, customer type, the effects of production volumes and fixed manufacturing costs on unit product costs and new product start-up costs. Gross margin as a percentage of total product revenue was 54% in both the three month and six month periods ended June 30, 1996, as compared with 60% in both of the corresponding 1995 periods. These margins are enhanced by the positive impact of revenues recognized of \$2,300,000 and \$1,080,000 in the second and first quarters of 1996, respectively. (See "Results of Operations - Revenue" for more details.) While these items are large and non-recurring, the Company has a history of recording such items in the past, including revenues of \$1,333,000 and \$1,000,000 recorded in the third quarter and fourth quarters of 1995, respectively. There can however be no assurance that similar items will recur in the future. The lower gross margin percentage in the 1996 period primarily reflects a shift in product mix from higher margin surveying and mapping sales to lower margin tracking and communications sales and decreases in the margins obtained on sales of surveying and mapping products. There is no assurance that these margins will be sustained because of mix changes within and among the business units, market pressures on unit selling prices, fluctuations in unit manufacturing costs and other factors.

In the future the Company expects a higher percentage of its business to be conducted through alliances with strategic partners, e.g. Honeywell. As a result of volume pricing and the assumption of certain operating costs by the partner, margins on this business are likely to be lower than sales directly to end users.

## 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:

	Quarter Ended June 30,			Six Months Ended June 30,		
	1996	1995	Increase	1996	1995	Increase
(In thousands)						
Research and development	9,144	8,120	13%	17,969	15,944	13%
Sales and marketing	16,844	15,913	6%	32,908	29,724	11%
General and administrative	9,057	5,962	52%	16,468	11,387	45%
<b>Total</b>	<b>\$ 35,045</b>	<b>\$ 29,995</b>	<b>17%</b>	<b>\$ 67,345</b>	<b>\$ 57,055</b>	<b>18%</b>

## Research and Development

Research and development increased as a result of continued aggressive development of future products.

The Company expects that a significant portion of future revenues will continue to be derived from sales of newly introduced products. Consequently, the Company's future success depends on its ability to continue to develop and manufacture new competitive products. Advances in product technology will require continued substantial investment in research and development in order to maintain and enhance the Company's market position and achieve high gross profit margins. Development and manufacturing schedules for technology products are difficult to predict, and there can be no assurance that the Company will achieve timely initial customer shipments of new products. The timely availability of these products in volume and their acceptance by customers are important to the future success of the Company. In addition, certain of the Company's products are subject to governmental and similar certifications before they can be sold. For example, FAA certification is required for all aviation products. An inability or delay in obtaining such certifications could have an adverse effect on the Company's operating results.

## Sales and Marketing

The increased expense in the 1996 period is a primary result of the expansion of the Company's selling efforts into new geographic areas.

The Company's future growth will depend upon the timely development and continued viability of the markets in which the Company currently competes and upon the Company's ability to continue to identify and exploit new markets for its products. In addition, the Company has encountered significant competition in selected markets, and the Company expects such competition to intensify as the market for GPS applications receives acceptance. Several of the Company's competitors are major corporations with substantially greater financial, technical, marketing and manufacturing resources. Increased competition is likely to result in reduced market share and in price reductions of GPS-based products, which could adversely affect the Company's revenues and profitability. The increase in competition has also led to a longer sales cycle which has the effect of reducing the ratio of revenues to sales and marketing expenses.

## General and Administrative

The increased general and administrative expense in the 1996 second quarter primarily reflects higher legal fees and costs of settling litigation. The Company expects that legal fees and settlement costs will decrease as a result of the settlement of litigation with DAC and NovAtel in July 1996. Costs associated with these settlements were accrued into the quarter ended June 30, 1996. See Note 4 of the Condensed Consolidated Financial Statements for more details.

## Income Taxes

The Company recorded a tax benefit of 20% of the loss before income taxes for the six months ended June 30, 1996. The income tax rates of 20% and 24% for the first six months ended June 30, 1996 and 1995 respectively, are less than the federal statutory rate primarily due to the realization of previously reserved deferred tax assets. The 1996 rate is lower than the 1995 rate due to lower foreign taxes.

## Liquidity and Capital Resources

For the six month period ended June 30, 1996, the cash used in operating activities was \$6,041,000 as compared to an inflow of \$8,421,000 in the same period in 1995. Cash provided by sales of Common Stock in 1996 represents proceeds from purchases made pursuant to the Company's stock option and employee stock purchase plans and totaled \$2,873,000 for the six months ended June 30, 1996. During the last six months the Company has relied primarily on cash provided by financing activities and net sales of short-term investments to fund operations, capital expenditures and other investing activities. The Company's ability to generate cash from operations will depend in a large part on revenues and the rate of collections of accounts receivable. Management believes that its cash, cash equivalents and short-term investment balances, with its existing credit line, will be sufficient to meet its anticipated cash needs for at least one year. At June 30, 1996, the Company had cash and cash equivalents of \$20,080,000 and short-term investments of \$64,537,000.

In February 1996, the Company announced that it had approved a discretionary program whereby up to 600,000 shares of its common stock may be repurchased to offset potential dilutive effects to earnings per share from the issuance of stock options. The Company intends to use existing cash, cash equivalents and short-term investments to finance any stock repurchases under this program. No shares have been purchased under this program to date.

On July 2, 1996, the Company acquired the net assets of Terra Corporation, a New Mexico aviation corporation, in exchange for 140,860 shares of the Company's common stock and options to purchase 12,000 shares of the Company's common stock. This acquisition will be accounted for as a purchase and substantially all of the purchase price is expected to be allocated to goodwill. There can be no assurances that this acquisition will be successful.

## Other Risk Factors

Revenue has tended to fluctuate on a quarterly basis due to the timing of shipments of products under contracts, the sale of license rights and seasonal patterns favoring spring and summer for the surveying and mapping business. This pattern was not repeated in 1996 and the Company can give no assurances that there will be any reversion to the seasonal revenue trends during the third quarter of 1996. A significant portion of quarterly revenues occur from orders received and immediately shipped to customers in the last few weeks and days of a quarter. If orders are not received, or shipments were to be delayed a few days at the end of a quarter, operating results would be significantly adversely impacted. The visibility and predictability of future revenues are difficult to predict and projections are primarily based on historical models which are not necessarily accurate representations of the future.

A significant number of components used by the Company in the manufacture of its products are obtainable only from sole sources. Furthermore, in many cases, despite the availability of multiple sources, the Company may select a single source in order to maintain quality control and to develop a strategic relationship with the supplier. However, if the Company is unable to obtain a sufficient supply of these components from its current vendors, it is likely the Company could experience a delay in product shipments that would adversely affect the Company's results of operations and damage customer relationships until an alternative source could be obtained. In addition, the Company has in the past experienced shortages of semiconductors and other components that have impacted the Company's ability to build inventory to ship on demand.

Scarcity of certain components, especially semiconductors, has required the Company to order greater quantities, for safety stock, than under normal supply conditions. While in the past it was possible to delay receipt of these components, or cancel orders, it may become increasingly difficult to do this leaving the Company with an excess supply of these components. While the Company does not believe that it has any major problems of supply at this time it is possible that they may occur in the future.

The Company has a relatively fixed cost structure in the short term which is determined by the business plans and strategies the Company intends to implement in the markets it addresses. As a result percentage increases or decreases in revenues have a significantly higher percentage impact on net income or losses and earnings per share than a company with a more variable cost structure.

The current tax rate of 20% assumes a return to profitability in the second half of the year. The tax rate could change significantly if this does not occur, resulting in additional tax expense in future periods.

\* In the longer term the Company believes that the OEM market will comprise a significant portion of the Company's business. The OEM market differs in nature from most of the Company's markets because volumes are high and margins relatively low. OEM customers are extremely price sensitive. As costs decrease through technological advances these advances will be passed on to the customer. To compete in the OEM market requires high volume production and manufacturing techniques. Customers expect high quality standards with very low defect rates. The Company is relatively inexperienced compared to competitors with far greater resources in such high volume manufacturing and associated support activities.

The Company's stock price is subject to significant volatility. If revenues and/or earnings fail to meet the expectations of the investment community, there could be an immediate and significant impact on the trading price of the Company's stock.

The value of the Company's products relies substantially on the Company's technical innovation in fields in which there are many current patent filings. The Company recognizes that as new patents are issued or are brought to the Company's attention by the holders of such patents, it may be necessary for the Company to withdraw products from the market, take a license from such patent holders, or redesign its products. The Company does not believe any of its products infringe patents or other proprietary rights of third parties, but 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 the Company's revenues or profitability.

The Company is continually evaluating alliances and external investments in technologies related to its business and has already entered into alliances and made relatively small investments in GPS related technology companies. Acquisitions of companies, divisions of companies, or products and alliances entail numerous risks, including (i) the potential inability to successfully integrate acquired operations and products or to realize anticipated synergies, economies of scale or other value, (ii) diversion of management's attention, and (iii) loss of key employees of acquired operations. Any such problems could have a material adverse effect on the Company's business, financial condition and results of operations. No assurances can be given that the Company will not incur problems from current or future alliances, acquisitions, or investments. Furthermore, there can be no assurance that the Company will realize value from any such alliances, acquisitions, or investments.

The Company's products rely on signals from the GPS Navstar satellite system built and maintained by the U.S. Department of Defense. Navstar satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. Some of these 24 satellites have exceeded their design lives of 7.5 years and are also subject to damage by the hostile space environment in which they operate. Repair of damaged or malfunctioning satellites is impossible. 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 would 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 U.S. Government will remain committed to the operation and maintenance of GPS satellites over a long period of time, nor that policies of the U.S. Government allowing for the use of GPS without charge will remain unchanged. Because of ever increasing commercial applications of GPS, other U.S. Government agencies may become involved in the administration or the regulation of the use of GPS signals. Any of the foregoing factors could affect the willingness of buyers of the Company's products to select GPS-based systems instead of products based on competing technologies. Any resulting change in market demand for GPS products would have a material adverse effect on the Company's financial results. Certain European government organizations have expressed concern regarding the susceptibility of GPS equipment to intentional or inadvertent signal interference. Such concern could translate into reduced demand for GPS products in certain geographic regions.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of shareholders of the company was held in Sunnyvale, California, on May 2, 1996.

An election of Directors was held with the following individuals being elected to the Company's Board of Directors.

	VOTES	
	For	Withheld
Robert S. Cooper	17,939,776	65,525
Zvonko Fazarinc	17,933,419	71,882
John B. Goodrich	17,896,188	109,113
William Hart	17,939,076	66,225
Bradford W. Parkinson	17,941,391	63,910
Charles R. Trimble	17,941,441	63,860

Other matters voted upon at the meeting and the results of the voting with respect to each such matter were as follows:

(1) Approval of an increase of 600,000 shares of Common Stock available for issuance under the Company's 1993 Stock Option Plan (16,040,908 in favor, 1,689,509 opposed, 256,619 abstentions, 18,265 broker non-votes).

(2) Approval of an increase of 100,000 shares of Common Stock available for issuance under the Company's 1990 Director Stock Option Plan (17,016,236 in favor, 708,737 opposed, 261,763 abstentions, 18,565 broker non-votes).

(3) Ratification of the appointment of Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 1996 (17,871,178 in favor, 77,244 opposed, 55,879 abstentions, 0 broker non-votes).



ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A.	Exhibits	Page Number
	10.54 Revolving Credit Agreement-First Amendment	19-21
	10.55 Revolving Credit Agreement-Second Amendment	22-24
	11.1 Computation of Earnings (Loss) Per Share	25
	27 Financial Data Schedule	26
B.	Report on Form 8-K	

There were no reports on Form 8-K filed during the quarter ended June 30, 1996.

SIGNATURES

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

TRIMBLE NAVIGATION LIMITED  
(Registrant)

By:           /s/ John H. Barnet  
              John H. Barnet  
              (Executive Vice President Finance and Chief Financial Officer)

DATE: August 12, 1996



TRIMBLE NAVIGATION LIMITED

FIRST AMENDMENT  
to  
REVOLVING CREDIT AGREEMENT

This FIRST AMENDMENT (the "Amendment"), dated as of April 30, 1996, is among Trimble Navigation Limited (the "Borrower"), The First National Bank of Boston ("FNBB"), Mellon Bank, N.A. ("Mellon" and together with FNBB, the "Banks"), and The First National Bank of Boston as agent for itself and the other Banks (the "Agent").

WHEREAS, the Borrower, the Banks and the Agent are parties to that certain Revolving Credit Agreement, dated as of August 4, 1995 (the "Credit Agreement"), pursuant to which the Banks, upon certain terms and conditions, have made loans to and may issue letters of credit for the benefit of the Borrower; and

WHEREAS, the Borrower had requested that the Banks agree, and the Banks have agreed, on the terms and subject to the conditions set forth herein, to make certain changes to the Credit Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

P 1. Defined Terms. Capitalized terms which are used herein without definition and which are defined in the Credit Agreement shall have the same meanings herein as in the Credit Agreement.

P 2. Amendment of Credit Agreement. Section 9.1 of the Credit Agreement is hereby amended by deleting from clause (i) of such P 9.1 the parenthetical "(treated as a single accounting period)".

P 3. Affirmation and Acknowledgment of the Borrower. The Borrower hereby ratifies and confirms all of its Obligations to the Banks, including, without limitation, the Revolving Credit Loans, and the Borrower hereby affirms its absolute and unconditional promise to pay to the Banks the Revolving Credit Loans and all other amounts due under the Credit Agreement as amended hereby.

P 4. Representations and Warranties. The Borrower hereby represents and warrants to the Banks as follows:

(a) The execution and delivery by the Borrower of this Amendment and the performance by the Borrower of its obligations and agreements under this Amendment and the Credit Agreement as amended hereby, are within the corporate authority of the Borrower, have been authorized by all necessary corporate proceedings on behalf of the Borrower, and do not and will not contravene any provision of law or any of the Borrower's charter, other incorporation papers, by-laws or any stock provision or any amendment thereof or of any indenture, agreement, instrument or undertaking binding upon the Borrower.

(19)

(b) This Amendment and the Credit Agreement as amended hereby constitute legal, valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting generally the enforcement of creditors' rights.

(c) No approval or consent of, or filing with, any governmental agency or authority is required to make valid and legally binding the execution, delivery or performance by the Borrower of this Amendment or the Credit Agreement as amended hereby, or the consummation by the Borrower of the transactions among the parties contemplated hereby and thereby or referred to herein.

(d) The representations and warranties contained in P 6 of the Credit Agreement were correct at and as of the date made. Except to the extent that the facts upon which such representations and warranties were based have changed in the ordinary course of business (which changes, either singly or in the aggregate, have not been materially adverse) and after giving effect to the provisions hereof, such representations and warranties also are correct at and as of the date hereof.

(e) The Borrower has performed and complied in all materials respects with all terms and conditions herein required to be performed or complied with by it prior to or at the time hereof, and as of the date hereof, after giving effect to the provisions hereof, there exists no Event of Default or Default.

P 6. Effectiveness. The effectiveness of this Amendment shall be subject to the satisfaction of the following condition:

(a) Delivery. Each of the Borrower, the Banks and the Agent shall have executed and delivered this Amendment.

P 7. Miscellaneous Provisions. (a) Except as otherwise expressly provided by this Amendment, all of the terms, conditions and provisions of the Credit Agreement shall remain the same. It is declared and agreed by each of the parties hereto that the Credit Agreement, as amended hereby, shall continue in full force and effect, and that this Amendment and the Credit Agreement shall be read and construed as one instrument.

(b) THIS AMENDMENT IS INTENDED TO TAKE EFFECT AS AN AGREEMENT UNDER SEAL AND SHALL BE CONSTRUED ACCORDING TO AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS.

(c) This Amendment may be executed in any number of counterparts, but all such counterparts shall together constitute but one instrument. In making proof of this Amendment it shall not be necessary to produce or account for more than one counterpart signed by each party hereto by and against which enforcement hereof is sought.

(d) Pursuant to P 15 of the Credit Agreement, the Borrower hereby agrees to pay to the Agent, on demand by the Agent, all reasonable out-of-pocket costs and expenses incurred or sustained by the Agent in connection with the preparation of this Amendment (including reasonable legal fees).

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

TRIMBLE NAVIGATION LIMITED

By: /s/ John H. Barnet  
Executive Vice President and  
Chief Financial Officer

THE FIRST NATIONAL BANK OF  
BOSTON, Individually, and as Agent

By: /s/ Lee A. Merkle  
Vice President

MELLON BANK, N.A.

By: /s/ Jane R. Westrich  
Vice President



TRIMBLE NAVIGATION LIMITED

SECOND AMENDMENT  
to  
REVOLVING CREDIT AGREEMENT

This SECOND AMENDMENT (the "Amendment"), dated as of June 30, 1996, is among Trimble Navigation Limited (the "Borrower"), The First National Bank of Boston ("FNBB"), Mellon Bank, N.A. ("Mellon" and together with FNBB, the "Banks"), and The First National Bank of Boston as agent for itself and the other Banks (the "Agent").

WHEREAS, the Borrower, the Banks and the Agent are parties to that certain Revolving Credit Agreement, dated as of August 4, 1995 (as amended by the First Amendment to Revolving Credit Agreement, dated as of April 30, 1996, the "Credit Agreement"), pursuant to which the Banks, upon certain terms and conditions, have made loans to and may issue letters of credit for the benefit of the Borrower; and

WHEREAS, the Borrower had requested that the Banks agree, and the Banks have agreed, on the terms and subject to the conditions set forth herein, to make certain changes to the Credit Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

P. 1. Defined Terms. Capitalized terms which are used herein without definition and which are defined in the Credit Agreement shall have the same meanings herein as in the Credit Agreement.

P. 2. Amendment of Credit Agreement. Section 9.1 of the Credit Agreement is hereby amended by adding the following proviso at the end of such P. from clause (I) of such P. 9.1:

; provided, however, solely for the fiscal quarter ended June 30, 1996, so long as each of Consolidated Net Deficit and Consolidated Net Operating Deficit shall not be greater than \$4,500,000, the Borrower shall not be required to comply with clause (I) of this P. 9.1

P. 3. Affirmation and Acknowledgment of the Borrower. The Borrower hereby ratifies and confirms all of its Obligations to the Banks, including, without limitation, the Revolving Credit Loans, and the Borrower hereby affirms its absolute and unconditional promise to pay to the Banks the Revolving Credit Loans and all other amounts due under the Credit Agreement as amended hereby.

P. 4. Representations and Warranties. The Borrower hereby represents and warrants to the Banks as follows:

(a) The execution and delivery by the Borrower of this Amendment and the performance by the Borrower of its obligations and agreements under this Amendment and the Credit Agreement as amended hereby, are within the corporate authority of the Borrower, have been authorized by all necessary corporate proceedings on behalf of the Borrower, and do not and will not contravene any provision of law or any of the Borrower's charter, other incorporation papers, by-laws or any stock provision or any amendment thereof or of any indenture, agreement, instrument or undertaking binding upon the Borrower.

(22)

(b) This Amendment and the Credit Agreement as amended hereby constitute legal, valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting generally the enforcement of creditors' rights.

(c) No approval or consent of, or filing with, any governmental agency or authority is required to make valid and legally binding the execution, delivery or performance by the Borrower of this Amendment or the Credit Agreement as amended hereby, or the consummation by the Borrower of the transactions among the parties contemplated hereby and thereby or referred to herein.

(d) The representations and warranties contained in P. 6 of the Credit Agreement were correct at and as of the date made. Except to the extent that the facts upon which such representations and warranties were based have changed in the ordinary course of business (which changes, either singly or in the aggregate, have not been materially adverse) and after giving effect to the provisions hereof, such representations and warranties also are correct at and as of the date hereof.



(e) The Borrower has performed and complied in all material respects with all terms and conditions herein required to be performed or complied with by it prior to or at the time hereof, and as of the date hereof, after giving effect to the provisions hereof, there exists no Event of Default or Default.

P. 6. Effectiveness. The effectiveness of this Amendment shall be subject to the agent of this Amendment executed by each of the Borrower, the Banks and the Agent.

P. 7. Miscellaneous Provisions. (a) Except as otherwise expressly provided by this Amendment, all of the terms, conditions and provisions of the Credit Agreement shall remain the same. It is declared and agreed by each of the parties hereto that the Credit Agreement, as amended hereby, shall continue in full force and effect, and that this Amendment and the Credit Agreement shall be read and construed as one instrument.

(b) THIS AMENDMENT IS INTENDED TO TAKE EFFECT AS AN AGREEMENT UNDER SEAL AND SHALL BE CONSTRUED ACCORDING TO AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS.

(c) This Amendment may be executed in any number of counterparts, but all such counterparts shall together constitute but one instrument. In making proof of this Amendment it shall not be necessary to produce or account for more than one counterpart signed by each party hereto by and against which enforcement hereof is sought.

(d) Pursuant to P. 15 of the Credit Agreement, the Borrower hereby agrees to pay to the Agent, on demand by the Agent, all reasonable out-of-pocket costs and expenses incurred or sustained by the Agent in connection with the preparation of this Amendment (including reasonable legal fees).

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

TRIMBLE NAVIGATION LIMITED

By: /s/ John H. Barnet  
Executive Vice President  
Chief Financial Officer

THE FIRST NATIONAL BANK OF  
BOSTON, Individually, and as Agent

By: /s/Elizabeth C. Evertt  
Vice President

MELLON BANK, N.A.

By: /s/ V. Charles Jackson  
Senior Vice President



TRIMBLE NAVIGATION LIMITED  
EXHIBIT 11.1

Computation of Earnings (Loss) Per Common Share

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
-----				
(In thousands, except per share data)				
PRIMARY EARNINGS (LOSS) PER COMMON SHARE				
Computation of common and common equivalent shares outstanding:				
Common stock outstanding	21,791	19,079	21,735	18,970
Common stock options	-	1,194	-	1,161
Common stock warrants	-	198	-	177
	-----	-----	-----	-----
Total weighted average common and dilutive common equivalent shares outstanding	21,791	20,471	21,735	20,308
	=====	=====	=====	=====
Net income (loss)	\$ (2,585)	\$ 4,287	\$ (3,731)	\$ 6,214
	=====	=====	=====	=====
Primary earnings (loss) per share	\$ (0.12)	\$ 0.21	\$ (0.17)	\$ 0.31
	=====	=====	=====	=====
FULLY DILUTED EARNINGS (LOSS) PER COMMON SHARE				
Computation of common and common equivalent shares outstanding:				
Common stock outstanding	21,791	19,079	21,735	18,970
Common stock options	-	1,255	-	1,203
Common stock warrants	-	210	-	185
	-----	-----	-----	-----
Total weighted average common and dilutive common equivalent shares outstanding	21,791	20,544	21,735	20,358
	=====	=====	=====	=====
Net income (loss)	\$ (2,585)	\$ 4,287	\$ (3,731)	\$ 6,214
	=====	=====	=====	=====
Fully diluted earnings (loss) per share	\$ (0.12)	\$ 0.21	\$ (0.17)	\$ 0.31
	=====	=====	=====	=====

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEET AND CONDENSED CONSOLIDATED STATEMENT OF EARNINGS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

		1,000
	6-MOS	
	DEC-31-1996	
	JUN-30-1996	
		20,080
		64,537
		37,040
		0
		40,633
		165,423
		22,243
		0
		194,249
34,251		0
0		0
		0
		123,322
		5,711
194,249		
		115,324
		53,052
		115,324
		53,052
		67,345
		0
		1,895
		(4,664)
		(933)
(3,731)		0
		0
		0
		(3,731)
		(0.17)
		(0.17)