

TRIMBLE NAVIGATION LTD /CA/  
Form 10-Q  
May 10, 2016  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED April 1, 2016  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_  
Commission file number: 001-14845

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

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California 94-2802192  
(State or other jurisdiction of (I.R.S. Employer Identification Number)  
incorporation or organization)  
935 Stewart Drive, Sunnyvale, CA 94085  
(Address of principal executive offices) (Zip Code)  
Telephone Number (408) 481-8000  
(Registrant's telephone number, including area code)

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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  No

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

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

Large Accelerated Filer

Accelerated Filer

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

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

As of May 6, 2016, there were 251,073,522 shares of Common Stock (no par value) outstanding.

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FORM 10-Q for the Quarter Ended April 1, 2016  
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## PART I – FINANCIAL INFORMATION

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

| As of<br>(In millions)  | First<br>Quarter<br>of<br>2016 | Fiscal Year End<br>2015 |
|---|--------------------------------|-------------------------|
| <b>ASSETS</b>   |                                |                         |
| Current assets:   |                                |                         |
| Cash and cash equivalents   | \$174.7                        | \$ 116.0                |
| Accounts receivable, net  | 377.8                          | 361.9                   |
| Other receivables   | 15.3                           | 14.9                    |
| Inventories   | 255.5                          | 261.1                   |
| Other current assets  | 49.3                           | 44.5                    |
| Total current assets  | 872.6                          | 798.4                   |
| Property and equipment, net   | 155.4                          | 159.2                   |
| Goodwill  | 2,128.4                        | 2,106.4                 |
| Other purchased intangible assets, net  | 452.5                          | 487.1                   |
| Other non-current assets  | 141.0                          | 129.6                   |
| Total assets  | \$3,749.9                      | \$ 3,680.7              |
| <b>LIABILITIES</b>  |                                |                         |
| Current liabilities:  |                                |                         |
| Short-term debt   | \$135.3                        | \$ 118.3                |
| Accounts payable  | 112.6                          | 99.8                    |
| Accrued compensation and benefits   | 86.6                           | 98.9                    |
| Deferred revenue  | 287.2                          | 234.6                   |
| Accrued warranty expense  | 17.9                           | 18.5                    |
| Other current liabilities   | 87.2                           | 90.8                    |
| Total current liabilities   | 726.8                          | 660.9                   |
| Long-term debt  | 539.6                          | 611.4                   |
| Non-current deferred revenue  | 32.3                           | 29.6                    |
| Deferred income taxes liabilities   | 53.5                           | 51.7                    |
| Other non-current liabilities   | 111.0                          | 106.5                   |
| Total liabilities   | 1,463.2                        | 1,460.1                 |
| Commitments and contingencies (Note 12)   |                                |                         |
| <b>EQUITY</b>   |                                |                         |
| Shareholders' equity:   |                                |                         |
| Preferred stock, no par value; 3.0 shares authorized; none outstanding  | —                              | —                       |
| Common stock, no par value; 360.0 shares authorized; 251.4 and 250.7 shares issued and outstanding as of the end of the first quarter of fiscal 2016 and fiscal year end 2015, respectively | 1,267.3                        | 1,238.3                 |
| Retained earnings   | 1,157.3                        | 1,148.2                 |
| Accumulated other comprehensive loss  | (138.7                         | ) (166.8                |
| Total Trimble Navigation Limited shareholders' equity   | 2,285.9                        | 2,219.7                 |
| Noncontrolling interests  | 0.8                            | 0.9                     |

|  |           |            |
|--|-----------|------------|
| Total shareholders' equity                 | 2,286.7   | 2,220.6    |
| Total liabilities and shareholders' equity | \$3,749.9 | \$ 3,680.7 |

See accompanying Notes to the Condensed Consolidated Financial Statements.

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TRIMBLE NAVIGATION LIMITED  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (UNAUDITED)

| (In millions, except per share amounts)                                    | First Quarter of |         |
|--|------------------|---------|
|  | 2016             | 2015    |
| Revenue:   |                  |         |
| Product  | \$393.6          | \$400.6 |
| Service  | 101.6            | 100.9   |
| Subscription   | 87.8             | 81.1    |
| Total revenue  | 583.0            | 582.6   |
| Cost of sales:   |                  |         |
| Product  | 190.0            | 187.7   |
| Service  | 41.6             | 41.4    |
| Subscription   | 26.7             | 23.8    |
| Amortization of purchased intangible assets                                | 24.1             | 22.5    |
| Total cost of sales  | 282.4            | 275.4   |
| Gross margin   | 300.6            | 307.2   |
| Operating expense:   |                  |         |
| Research and development   | 87.7             | 87.2    |
| Sales and marketing  | 96.7             | 96.5    |
| General and administrative   | 68.3             | 64.7    |
| Restructuring charges  | 1.8              | 1.1     |
| Amortization of purchased intangible assets                                | 16.2             | 18.2    |
| Total operating expense  | 270.7            | 267.7   |
| Operating income   | 29.9             | 39.5    |
| Non-operating income (expense), net:                                       |                  |         |
| Interest expense   | (6.6 )           | (6.4 )  |
| Foreign currency transaction gain (loss), net                              | (0.1 )           | 1.1     |
| Income from equity method investments, net                                 | 2.9              | 3.0     |
| Other income, net  | 3.3              | 7.0     |
| Total non-operating income (expense), net                                  | (0.5 )           | 4.7     |
| Income before taxes  | 29.4             | 44.2    |
| Income tax provision   | 9.7              | 10.2    |
| Net income   | 19.7             | 34.0    |
| Less: Net loss attributable to noncontrolling interests                    | (0.1 )           | (0.1 )  |
| Net income attributable to Trimble Navigation Limited:                     | \$19.8           | \$34.1  |
| Basic earnings per share   | \$0.08           | \$0.13  |
| Shares used in calculating basic earnings per share                        | 251.0            | 259.4   |
| Diluted earnings per share   | \$0.08           | \$0.13  |
| Shares used in calculating diluted earnings per share                      | 254.0            | 262.4   |
| See accompanying Notes to the Condensed Consolidated Financial Statements. |                  |         |

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

|  | First Quarter of |          |
|--|------------------|----------|
|  | 2016             | 2015     |
| (In millions)  |                  |          |
| Net income   | \$19.7           | \$34.0   |
| Foreign currency translation adjustments, net of tax                       | 28.2             | (70.3 )  |
| Net unrealized actuarial gain (loss), net of tax                           | (0.1 )           | 0.1      |
| Comprehensive income (loss)  | 47.8             | (36.2 )  |
| Less: Comprehensive loss attributable to noncontrolling interests          | (0.1 )           | (0.1 )   |
| Comprehensive income (loss) attributable to Trimble Navigation Limited     | \$47.9           | \$(36.1) |
| See accompanying Notes to the Condensed Consolidated Financial Statements. |                  |          |

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

| (In millions)   | First Quarter of |          |
|---|------------------|----------|
|   | 2016             | 2015     |
| Cash flows from operating activities:   |                  |          |
| Net income  | \$19.7           | \$34.0   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                  |          |
| Depreciation expense  | 9.1              | 8.7      |
| Amortization expense  | 40.3             | 40.7     |
| Provision for doubtful accounts   | 0.6              | 1.0      |
| Deferred income taxes   | (0.1 )           | (1.3 )   |
| Stock-based compensation  | 13.7             | 12.5     |
| Income from equity method investments   | (2.9 )           | (3.0 )   |
| Divestitures gain, net  | (3.1 )           | (5.8 )   |
| Excess tax benefit for stock-based compensation                                   | (1.2 )           | (0.7 )   |
| Provision for excess and obsolete inventories                                     | 4.1              | 0.8      |
| Other non-cash items  | 0.7              | 11.0     |
| Decrease (increase) in assets:  |                  |          |
| Accounts receivable   | (14.1 )          | (28.9 )  |
| Other receivables   | (2.2 )           | 4.9      |
| Inventories   | 3.1              | (6.4 )   |
| Other current and non-current assets  | (4.9 )           | (8.0 )   |
| Increase (decrease) in liabilities:   |                  |          |
| Accounts payable  | 11.9             | 11.2     |
| Accrued compensation and benefits   | (13.5 )          | (15.0 )  |
| Deferred revenue  | 54.1             | 49.4     |
| Accrued warranty  | (0.7 )           | (1.5 )   |
| Other liabilities   | (1.4 )           | 3.6      |
| Net cash provided by operating activities   | 113.2            | 107.2    |
| Cash flows from investing activities:   |                  |          |
| Acquisitions of businesses, net of cash acquired                                  | (15.8 )          | (36.9 )  |
| Acquisitions of property and equipment  | (4.9 )           | (10.6 )  |
| Purchases of equity method investments  | (0.4 )           | (1.3 )   |
| Net proceeds from sale of businesses  | 8.1              | 12.6     |
| Dividends received from equity method investments                                 | 5.0              | —        |
| Other   | (0.3 )           | 0.8      |
| Net cash used in investing activities   | (8.3 )           | (35.4 )  |
| Cash flows from financing activities:   |                  |          |
| Issuances of common stock, net of tax withholdings                                | 16.1             | 14.7     |
| Repurchase and retirement of common stock   | (12.2 )          | (12.6 )  |
| Excess tax benefit for stock-based compensation                                   | 1.2              | 0.7      |
| Proceeds from debt and revolving credit lines                                     | 92.0             | 130.0    |
| Payments on debt and revolving credit lines                                       | (147.0 )         | (198.0 ) |
| Net cash used in financing activities   | (49.9 )          | (65.2 )  |
| Effect of exchange rate changes on cash and cash equivalents                      | 3.7              | (8.9 )   |
| Net increase (decrease) in cash and cash equivalents                              | 58.7             | (2.3 )   |
| Cash and cash equivalents, beginning of period                                    | 116.0            | 148.0    |
| Cash and cash equivalents, end of period  | \$174.7          | \$145.7  |

See accompanying Notes to the Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

NOTE 1. OVERVIEW AND BASIS OF PRESENTATION

Trimble Navigation Limited (Trimble or the Company) began operations in 1978 and incorporated in California in 1981. The Company provides technology solutions that enable professionals and field mobile workers to improve or transform their work processes. Trimble's solutions are used across a range of industries including agriculture, architecture, civil engineering, survey and land administration, construction, geospatial, environmental management, government, natural resources, transportation and utilities. Representative Trimble customers include engineering and construction firms, surveying companies, farmers and agricultural companies, enterprise firms with large-scale fleets, energy, mining and utility companies, and state, federal and municipal governments.

Trimble focuses on integrating broad technological and application capabilities to create system-level solutions that transform how work is done within the industries the Company serves. Products are sold based on return on investment and provide benefits such as lower operational costs, higher productivity, improved quality, enhanced safety and regulatory compliance, and reduced environmental impact. Representative products include equipment that automates large industrial equipment such as tractors and bulldozers; integrated systems that track fleets of vehicles and workers and provide real-time information and powerful analytics to the back-office; data collection systems that enable the management of large amounts of geo-referenced information; software solutions that connect all aspects of a construction site or a farm; and building information modeling (BIM) software that is used throughout the design, build, and operation of buildings.

The Company has a 52-53 week fiscal year, ending on the Friday nearest to December 31, which for fiscal 2015 was January 1, 2016. The first quarter of fiscal 2016 and 2015 ended on April 1, 2016 and April 3, 2015, respectively. Both fiscal 2016 and 2015 are 52-week years. Unless otherwise stated, all dates refer to the Company's fiscal year and fiscal periods.

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

The accompanying financial data for and as of the end of the first quarter of fiscal 2016 and 2015 has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements, prepared in accordance with U.S. generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations. The Condensed Consolidated Balance Sheet as of fiscal year end 2015 is derived from the audited Consolidated Financial Statements included in the Annual Report on Form 10-K of Trimble Navigation Limited for fiscal year 2015. The following discussion should be read in conjunction with the Company's 2015 Annual Report on Form 10-K.

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

In the opinion of management, all adjustments necessary have been made to present a fair statement of results for the interim periods presented. The results of operations for the first quarter of fiscal 2016 are not necessarily indicative of the operating results for the full fiscal year or any future periods. Individual segment revenue may be affected by seasonal buying patterns and general economic conditions.

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

software as a service (SaaS).

As disclosed in the Company's fiscal 2015 Annual Report on Form 10-K, the Company identified an error in its previously reported financial statements with regard to a portion of its goodwill balance arising from deferred tax liabilities in foreign jurisdictions that had not been properly translated to U.S. dollars. As a result, both goodwill and the cumulative translation adjustment included in Accumulated other comprehensive income (loss) on the Condensed Consolidated Balance Sheets were overstated and the resulting foreign currency translation adjustment component of Other comprehensive income (loss) was incorrect. There was no impact on net income or cash flows.

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The Company evaluated the impact of the error, both quantitatively and qualitatively, and concluded that the differences were not material individually or in the aggregate to any of the prior reporting periods. The impact had no effect on net income or cash flows, but in light of the significance of the cumulative amount of the error on comprehensive income for the third quarter and the full fiscal year 2015, the Company revised previously issued financial information, including the first quarter of fiscal 2015 contained in this Quarterly Report on Form 10-Q, to correct for the foreign currency translation figures. See Note 13 of the Notes to Condensed Consolidated Financial Statements for further information.

### NOTE 2. UPDATES TO SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to the Company's significant accounting policies during the first quarter of fiscal 2016 from those disclosed in the Company's most recent Form 10-K.

#### Recent Accounting Pronouncements

In May 2014, the FASB issued a comprehensive new revenue recognition standard that replaces the current revenue recognition guidance under U.S. GAAP. The new standard requires companies to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The revised effective date for the Company under the new standard will be the beginning of fiscal 2018, with early adoption permitted as of fiscal 2017, the original effective date. Entities have the option of using either a full retrospective or modified retrospective approach for the adoption of the standard. The Company is currently evaluating the effect of the updated standard on its consolidated financial statements and related disclosures.

In February 2015, the FASB issued amendments to the consolidation guidance. The amendments under the new guidance modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities and eliminate the presumption that a general partner should consolidate a limited partnership. The Company adopted the amendments beginning in the first quarter of fiscal 2016. The adoption did not have a material impact on the Company's consolidated financial statements.

In July 2015, the FASB issued amendments to simplify the measurement of inventory. Under the amendments, inventory will be measured at the "lower of cost and net realizable value" and options that currently exist for "market value" will be eliminated. The guidance defines net realizable value as the "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation". No other changes were made to the current guidance on inventory measurement. The amendments are effective for the Company beginning in fiscal 2017, although early adoption is permitted. The Company is currently evaluating the effect of the updated standard on its consolidated financial statements and related disclosures.

In September 2015, the FASB issued new guidance related to business combinations. The new guidance requires that any adjustments to provisional amounts in a business combination be recorded in the period such adjustments are determined, rather than retrospectively adjusting previously reported amounts. The Company adopted the amendments beginning in the first quarter of fiscal 2016. The adoption did not have a material impact on the Company's consolidated financial statements.

In January 2016, the FASB issued final guidance that will require entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicability exception. The amendments are effective for the Company beginning in fiscal 2018, although early adoption is permitted and should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, with certain exceptions. The Company is currently evaluating the effect of the updated standard on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued new guidance that requires a lessee to recognize assets and liabilities arising from leases on the balance sheet. Previous GAAP did not require lease assets and liabilities to be recognized for most leases. Additionally, companies are permitted to make an accounting policy election to not recognize lease assets and

liabilities for leases with a term of 12 months or less. For both finance leases and operating leases, the lease liability should be initially measured at the present value of the lease payments. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will not significantly change under this new guidance. This new guidance is effective for the Company beginning in fiscal 2019, although early adoption is permitted. The Company is currently evaluating the effect of this guidance on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued amendments to its guidance on the accounting for derivatives and hedging. The new guidance clarifies the requirements for assessing whether contingent call or put options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. This guidance is effective for the Company beginning in fiscal 2017,

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although early adoption is permitted. The Company is currently evaluating the effect of this guidance on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued new guidance related to equity investments and joint ventures. This standard eliminates the requirement that when an existing cost method investment qualifies for use of the equity method, an investor must restate its historical financial statements, as if the equity method had been used during all previous periods. Under the new guidance, at the point an investment qualifies for the equity method, any unrealized gain or loss in accumulated other comprehensive income will be recognized through earnings. This guidance is effective for the Company beginning in fiscal 2017, although early adoption is permitted. The Company is currently evaluating the effect of this guidance on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued final guidance that will change how companies account for certain aspects of share-based payments to employees. Several aspects of the accounting for share-based payment award transactions are affected, including income tax consequences, classification of awards as either equity or liabilities, application of the forfeiture rate and classification on the statement of cash flows. The guidance is effective for the Company beginning in fiscal 2017, although early adoption is permitted. The Company is currently evaluating the effect of the updated standard on its consolidated financial statements and related disclosures.

### NOTE 3. SHAREHOLDERS' EQUITY

#### Stock Repurchase Activities

In August 2014, the Company's Board of Directors approved a stock repurchase program (2014 Stock Repurchase Program), authorizing the Company to repurchase up to \$300.0 million of Trimble's common stock, replacing a stock repurchase program which had been in place since 2011. In August 2015, the Company's Board of Directors approved a stock repurchase program (2015 Stock Repurchase Program), authorizing the Company to repurchase up to \$400.0 million of Trimble's common stock, replacing the 2014 Stock Repurchase Program.

During the first quarter of fiscal 2015, the Company repurchased approximately 0.5 million shares of common stock in open market purchases, at an average price of \$26.34 per share, for a total of \$12.6 million under the 2014 Stock Repurchase Program.

During the first quarter of fiscal 2016, the Company repurchased approximately 0.5 million shares of common stock in open market purchases, at an average price of \$24.30 per share, for a total of \$12.2 million under the 2015 Stock Repurchase Program.

Stock repurchases are reflected as a decrease to common stock based on the average book value per share for all outstanding shares calculated at the time of each individual repurchase transaction. The excess of the purchase price over this average for each repurchase is charged to retained earnings. As a result of the 2016 repurchases, retained earnings was reduced by \$9.7 million in the first of fiscal 2016. Common stock repurchases under the program were recorded based upon the trade date for accounting purposes. All common shares repurchased under the programs have been canceled.

At the end of the first quarter of fiscal 2016, the 2015 Stock Repurchase Program had remaining authorized funds of \$237.7 million. Under the share repurchase program, the Company may repurchase shares from time to time in open market transactions, privately negotiated transactions, accelerated share buyback programs, tender offers, or by other means. The timing and amount of repurchase transactions will be determined by the Company's management based on its evaluation of market conditions, share price, legal requirements and other factors. The program may be suspended, modified or discontinued at any time without prior notice.

#### Stock-Based Compensation Expense

Stock compensation expense is recognized based on the fair value of the portion of share-based payment awards that is expected to vest during the period and is net of estimated forfeitures.

The following table summarizes stock-based compensation expense for the first quarter of fiscal 2016 and 2015.



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|  | First Quarter<br>of<br>2016 2015 |        |
|--|----------------------------------|--------|
| (Dollars in millions)                  |                                  |        |
| Cost of sales                          | \$1.0                            | \$0.9  |
| Research and development               | 2.3                              | 2.2    |
| Sales and marketing                    | 2.0                              | 2.3    |
| General and administrative             | 8.4                              | 7.1    |
| Total operating expense                | 12.7                             | 11.6   |
| Total stock-based compensation expense | \$13.7                           | \$12.5 |

**NOTE 4. BUSINESS COMBINATIONS**

During the first quarter of fiscal 2016, the Company acquired two businesses, with total cash consideration of \$10.0 million, both in its Engineering and Construction segment. The Condensed Consolidated Statements of Income include the operating results of the businesses from the dates of acquisition. The acquisitions were not significant individually or in the aggregate. The largest acquisition was a cloud-based software developer for the design of sustainable and high-performance buildings, based in London and New York. In the aggregate, the businesses acquired during the first quarter of fiscal 2016 contributed less than one percent to the Company's total revenue during the first quarter of fiscal 2016.

The Company determined the total consideration paid for each of its acquisitions as well as the fair value of the assets acquired and liabilities assumed as of the date of acquisition. For certain acquisitions completed in the last three quarters of fiscal 2015 and the first quarter of fiscal 2016, the fair value of the assets acquired and liabilities assumed are preliminary and may be adjusted as the Company obtains additional information, primarily related to adjustments for the true up of acquired net working capital in accordance with certain purchase agreements, and estimated values of certain net tangible assets and liabilities including tax balances, pending the completion of final studies and analyses. If there are adjustments made for these items, the fair value of intangible assets and goodwill could be impacted. Thus the provisional measurements of fair value are subject to change. Such changes could be significant. The Company expects to finalize the valuation of the net tangible and intangible assets as soon as practicable, but not later than one-year from the acquisition date.

The fair value of identifiable assets acquired and liabilities assumed were determined under the acquisition method of accounting for business combinations. The excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill. The fair value of intangible assets acquired is generally determined based on a discounted cash flow analysis. Acquisition costs directly related to the acquisitions, including the changes in the fair value of the contingent consideration liabilities, of \$1.7 million and \$2.8 million for the first quarter of fiscal 2016 and 2015, respectively, were expensed as incurred and were included in General and administrative expense in the Condensed Consolidated Statements of Income.

The following table summarizes the Company's business combinations completed during the first quarter of fiscal 2016.

|  | First<br>Quarter<br>of<br>2016 |
|--|--------------------------------|
| (Dollars in millions)                      |                                |
| Fair value of total purchase consideration | \$ 10.0                        |
| Less fair value of net assets acquired:    |                                |
| Net tangible liabilities assumed           | (1.7 )                         |
| Identifiable intangible assets             | 4.3                            |
| Noncontrolling interests                   | (0.1 )                         |
| Goodwill                                   | \$ 7.5                         |

Intangible Assets

The following table presents details of the Company's total intangible assets:

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| As of   | First Quarter of Fiscal 2016 |                          |                     | Fiscal Year End 2015 |                          |                     |
|---|------------------------------|--------------------------|---------------------|----------------------|--------------------------|---------------------|
|   | Gross                        |                          |                     | Gross                |                          |                     |
| (Dollars in millions)                                 | Carrying Amount              | Accumulated Amortization | Net Carrying Amount | Carrying Amount      | Accumulated Amortization | Net Carrying Amount |
| Developed product technology                          | \$811.9                      | \$ (567.3 )              | \$ 244.6            | \$802.1              | \$ (536.0 )              | \$ 266.1            |
| Trade names and trademarks                            | 53.0                         | (41.4 )                  | 11.6                | 52.8                 | (39.8 )                  | 13.0                |
| Customer relationships                                | 451.0                        | (271.2 )                 | 179.8               | 448.1                | (258.0 )                 | 190.1               |
| Distribution rights and other intellectual properties | 79.3                         | (62.8 )                  | 16.5                | 78.6                 | (60.7 )                  | 17.9                |
|   | \$1,395.2                    | \$ (942.7 )              | \$ 452.5            | \$1,381.6            | \$ (894.5 )              | \$ 487.1            |

The estimated future amortization expense of purchased intangible assets as of the end of the first quarter of fiscal 2016 was as follows:

| (Dollars in millions) |          |
|-----------------------|----------|
| 2016 (Remaining)      | \$ 112.7 |
| 2017                  | 130.7    |
| 2018                  | 101.9    |
| 2019                  | 60.2     |
| 2020                  | 31.4     |
| Thereafter            | 15.6     |
| Total                 | \$452.5  |

## Goodwill

The changes in the carrying amount of goodwill by segment for the first quarter of fiscal 2016 were as follows:

| (Dollars in millions)                                     | Engineering and Construction | Field Solutions | Mobile Solutions | Advanced Devices | Total     |
|---|------------------------------|-----------------|------------------|------------------|-----------|
| Balance as of fiscal year end 2015                        | \$ 1,140.1                   | \$ 125.7        | \$ 820.7         | \$ 19.9          | \$2,106.4 |
| Additions due to acquisition                              | 7.5                          | —               | —                | —                | 7.5       |
| Purchase price adjustments                                | —                            | 0.1             | 0.1              | —                | 0.2       |
| Foreign currency translation adjustments                  | 14.3                         | 1.1             | 3.2              | 0.7              | 19.3      |
| Divestiture   | —                            | —               | (5.0 )           | —                | (5.0 )    |
| Balance as of the end of the first quarter of fiscal 2016 | \$ 1,161.9                   | \$ 126.9        | \$ 819.0         | \$ 20.6          | \$2,128.4 |

In February 2016, the Company sold the Omega Group assets to TriTech Software Systems. The Omega Group provides software solutions for public safety agencies. The sale of the Omega Group assets resulted in a \$2.7 million gain in the first quarter of fiscal 2016, and is included in Other income, net on the Company's Condensed Consolidated Statements of Income.

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## NOTE 5. INVENTORIES

Inventories consisted of the following:

|                                | First<br>Quarter<br>of<br>2016 | Fiscal<br>Year<br>End<br>2015 |
|--------------------------------|--------------------------------|-------------------------------|
| As of<br>(Dollars in millions) |                                |                               |
| Raw materials                  | \$ 96.8                        | \$ 107.5                      |
| Work-in-process                | 6.8                            | 5.9                           |
| Finished goods                 | 151.9                          | 147.7                         |
| Total inventories              | \$ 255.5                       | \$ 261.1                      |

Finished goods includes \$15.5 million as of the end of the first quarter of fiscal 2016 and \$14.6 million as of fiscal year end 2015 for costs that have been deferred in connection with deferred revenue arrangements.

## NOTE 6. SEGMENT INFORMATION

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

**Engineering and Construction:** This segment primarily serves customers working in architecture, engineering, construction, geospatial and government. Within this segment our most substantial product portfolios are focused on civil engineering and construction, building construction, and geospatial.

- **Field Solutions:** This segment provides solutions for the farming, government and consumer markets, with its products focused on agriculture and geographic information systems (GIS).

**Mobile Solutions:** This segment provides solutions that enable end-users to monitor and manage their mobile work, mobile workers and mobile assets in the areas of transportation and logistics and field services management.

**Advanced Devices:** The various operations that comprise this segment are aggregated on the basis that these operations, taken as a whole, do not exceed 10% of the Company's total revenue, operating income or assets. This segment is comprised of the Embedded Technologies, Timing, Applanix, Military and Advanced Systems and ThingMagic businesses.

The Company's chief operating decision maker (CODM), its Chief Executive Officer, evaluates each of its segment's performance and allocates resources based on segment operating income before income taxes and some corporate allocations. The Company and each of its segments employ consistent accounting policies. In each of its segments the Company sells many individual products. For this reason it is impracticable to segregate and identify revenue for each of the individual products or group of products.

The following table presents revenue, operating income, depreciation expense and identifiable assets for the four segments. Operating income is revenue less cost of sales and operating expense, excluding general corporate expense, acquisition costs, amortization of purchased intangible assets, restructuring charges, stock-based compensation and executive transition costs. The identifiable assets that the CODM views by segment are accounts receivable, inventories and goodwill.

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|  | Reporting Segments                 |                    |                     |                     | Total   |
|--|------------------------------------|--------------------|---------------------|---------------------|---------|
|  | Engineering<br>and<br>Construction | Field<br>Solutions | Mobile<br>Solutions | Advanced<br>Devices |         |
| (Dollars in millions)                  |                                    |                    |                     |                     |         |
| First Quarter of Fiscal 2016           |                                    |                    |                     |                     |         |
| Revenue                                | \$309.8                            | \$106.0            | \$136.3             | \$30.9              | \$583.0 |
| Operating income                       | 44.1                               | 33.9               | 18.9                | 10.3                | 107.2   |
| Depreciation expense                   | 3.4                                | 0.3                | 1.3                 | 0.2                 | 5.2     |
| First Quarter of Fiscal 2015           |                                    |                    |                     |                     |         |
| Revenue                                | \$299.3                            | \$115.3            | \$128.2             | \$39.8              | \$582.6 |
| Operating income                       | 37.0                               | 40.6               | 20.5                | 15.2                | 113.3   |
| Depreciation expense                   | 3.6                                | 0.3                | 1.3                 | 0.1                 | 5.3     |
| As of the First Quarter of Fiscal 2016 |                                    |                    |                     |                     |         |
| Accounts receivable                    | \$215.2                            | \$73.3             | \$70.0              | \$19.3              | \$377.8 |
| Inventories                            | 176.1                              | 34.8               | 26.5                | 18.1                | 255.5   |
| Goodwill                               | 1,161.9                            | 126.9              | 819.0               | 20.6                | 2,128.4 |
| As of Fiscal Year End 2015             |                                    |                    |                     |                     |         |
| Accounts receivable                    | \$215.9                            | \$57.1             | \$69.6              | \$19.3              | \$361.9 |
| Inventories                            | 178.0                              | 36.0               | 30.4                | 16.7                | 261.1   |
| Goodwill                               | 1,140.1                            | 125.7              | 820.7               | 19.9                | 2,106.4 |

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

|   | First Quarter of |         |
|---|------------------|---------|
|   | 2016             | 2015    |
| (Dollars in millions)                       |                  |         |
| Consolidated segment operating income       | \$107.2          | \$113.3 |
| Unallocated corporate expense               | (21.2 )          | (19.3 ) |
| Restructuring charges                       | (2.1 )           | (1.3 )  |
| Stock-based compensation                    | (13.7 )          | (12.5 ) |
| Amortization of purchased intangible assets | (40.3 )          | (40.7 ) |
| Consolidated operating income               | 29.9             | 39.5    |
| Non-operating income (expense), net:        | (0.5 )           | 4.7     |
| Consolidated income before taxes            | \$29.4           | \$44.2  |

Unallocated corporate expense includes general corporate expense, acquisition costs and executive transition costs.

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## NOTE 7. DEBT

Debt consisted of the following:

|                                 | First<br>Quarter<br>of<br>2016 | Fiscal Year End<br>2015 |
|---------------------------------|--------------------------------|-------------------------|
| As of<br>(Dollars in millions)  |                                |                         |
| Notes:                          |                                |                         |
| Principal amount                | \$400.0                        | \$ 400.0                |
| Unamortized discount on Notes   | (2.8 )                         | (2.8 )                  |
| Debt issuance costs             | (2.6 )                         | (2.7 )                  |
| Credit Facilities:              |                                |                         |
| 2014 Credit Facility            | 144.0                          | 216.0                   |
| Uncommitted facilities          | 135.0                          | 118.0                   |
| Promissory notes and other debt | 1.3                            | 1.2                     |
| Total debt                      | 674.9                          | 729.7                   |
| Less: Short-term debt           | 135.3                          | 118.3                   |
| Long-term debt                  | \$539.6                        | \$ 611.4                |

## Notes

In November 2014, the Company issued \$400.0 million of Senior Notes (Notes) in a public offering registered with the Securities and Exchange Commission. The Notes mature on December 1, 2024 and accrue interest at a rate of 4.75% per annum, payable semiannually in arrears in cash on December 1 and June 1 of each year. The Notes are classified as long-term in the Condensed Consolidated Balance Sheet and are presented net of unamortized discount and debt issuance costs. The discount and debt issuance costs are being amortized to interest expense using the effective interest rate method over the term of the Notes.

In connection with the Notes offering, Trimble entered into an Indenture with U.S. Bank National Association, as trustee. Trimble may redeem the Notes at its option at any time, in accordance with the terms and conditions set forth in the Indenture. The Indenture contains no financial covenants. Further details regarding the terms of the Notes, including the redemption rights, and the Indenture, are provided in the Company's fiscal 2015 Annual Report on Form 10-K.

## Credit Facilities

## 2014 Credit Facility

In November 2014, the Company entered into a five-year credit agreement with a group of lenders (2014 Credit Facility), which provides for an unsecured revolving loan facility of \$1.0 billion. Under the 2014 Credit Facility, the Company may borrow, repay and reborrow funds under the revolving loan facility until its maturity on November 24, 2019, at which time the revolving facility will terminate, and all outstanding loans, together with all accrued and unpaid interest, must be repaid. The interest rate on the non-current debt outstanding under the 2014 Credit Facility was 1.66% and 1.46% at the end of the first quarter of fiscal 2016 and fiscal year end 2015, respectively, and is payable on a quarterly basis. Amounts not borrowed under the revolving facility will be subject to a commitment fee. The outstanding balance of \$144.0 million as of the end of the first quarter of fiscal 2016 and \$216.0 million at the end of fiscal 2015 are classified as long-term debt in the Condensed Consolidated Balance Sheet. Unamortized debt issuance costs associated with the 2014 Credit Facility are presented as assets in the Condensed Consolidated Balance sheet and are being amortized to interest expense using the effective interest rate method over the term of the 2014 Credit Facility.

In February 2016, the Company entered into a first amendment to the 2014 Credit Facility to facilitate the Company's proposed reincorporation from California to Delaware and to effect other non-financial terms.

The Company was in compliance with all covenants pertaining to the 2014 Credit Facility at the end of the first quarter of fiscal 2016.

#### Uncommitted Facilities

The Company also has two \$75 million revolving credit facilities which are uncommitted (Uncommitted Facilities). The Uncommitted Facilities may be called by the lenders at any time, have no covenants and no specified expiration date. The \$135.0 million outstanding at the end of the first quarter of fiscal 2016 and the \$118.0 million outstanding at the end of fiscal 2015 under the Uncommitted Facilities are classified as short-term debt in the Condensed Consolidated Balance Sheet. The weighted average interest rate on the Uncommitted Facilities was both 1.37% at the end of the first quarter of fiscal 2016 and the end of fiscal 2015.

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## Promissory Notes and Other Debt

At the end of the first quarter of fiscal 2016 and the end of fiscal 2015, the Company had promissory notes and other notes payable totaling approximately \$1.3 million and \$1.2 million, respectively, of which \$1.0 million and \$0.9 million was classified as long-term in the Condensed Consolidated Balance Sheet.

## Debt Maturities

At the end of the first quarter of fiscal 2016, the Company's debt maturities based on outstanding principal were as follows (in millions):

## Year Payable

|                  |          |
|------------------|----------|
| 2016 (Remaining) | \$ 135.3 |
| 2017             | 0.3      |
| 2018             | 0.2      |
| 2019             | 144.2    |
| 2020             | 0.1      |
| Thereafter       | 400.2    |
| Total            | \$ 680.3 |

## NOTE 8. FAIR VALUE MEASUREMENTS

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

Level I—Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

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

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

Fair Value on a Recurring Basis

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

| (Dollars in millions)                      | Fair Values as of the end of<br>the First Quarter of Fiscal 2016 |               |               |               | Fair Values as of Fiscal Year<br>End 2015 |               |               |               |
|--|--|---------------|---------------|---------------|---|---------------|---------------|---------------|
|  | Level<br>I   | Level II      | Level III     | Total         | Level<br>I                                | Level<br>II   | Level III     | Total         |
| <b>Assets</b>                              |  |               |               |               |   |               |               |               |
| Deferred compensation plan assets (1)      | \$21.4   | \$ —          | \$ —          | \$21.4        | \$21.1                                    | \$ —          | \$ —          | \$21.1        |
| Derivative assets (2)                      | —  | 0.8           | —             | 0.8           | —   | 2.9           | —             | 2.9           |
| Contingent consideration assets (3)        | —  | —             | 7.0           | 7.0           | —   | —             | 7.0           | 7.0           |
| <b>Total</b>                               | <b>\$21.4</b>  | <b>\$ 0.8</b> | <b>\$ 7.0</b> | <b>\$29.2</b> | <b>\$21.1</b>                             | <b>\$ 2.9</b> | <b>\$ 7.0</b> | <b>\$31.0</b> |
| <b>Liabilities</b>                         |  |               |               |               |   |               |               |               |
| Deferred compensation plan liabilities (1) | \$21.4   | \$ —          | \$ —          | \$21.4        | \$21.1                                    | \$ —          | \$ —          | \$21.1        |
| Derivative liabilities (2)                 | —  | 1.0           | —             | 1.0           | —   | 2.1           | —             | 2.1           |
| Contingent consideration liabilities (4)   | —  | —             | 5.0           | 5.0           | —   | —             | 6.6           | 6.6           |
| <b>Total</b>                               | <b>\$21.4</b>  | <b>\$ 1.0</b> | <b>\$ 5.0</b> | <b>\$27.4</b> | <b>\$21.1</b>                             | <b>\$ 2.1</b> | <b>\$ 6.6</b> | <b>\$29.8</b> |

The Company maintains a self-directed, non-qualified deferred compensation plan for certain executives and other highly compensated employees. The plan assets and liabilities are invested in actively traded mutual funds and (1) individual stocks valued using observable quoted prices in active markets. Deferred compensation plan assets and liabilities are included in Other non-current assets and Other non-current liabilities, respectively, on the Company's Condensed Consolidated Balance Sheets.

Derivative assets and liabilities primarily represent forward currency exchange contracts. The Company typically enters into these contracts to minimize the short-term impact of foreign currency exchange rates on certain trade and inter-company receivables and payables. Derivative assets and liabilities are included in Other current assets and Other current liabilities on the Company's Condensed Consolidated Balance Sheets. (2)

Contingent consideration assets represents arrangements for buyers to pay the Company for certain businesses that it has divested. The fair value is determined based on the Company's expectations of future receipts. The minimum amount to be received under these arrangements is \$3.5 million. Contingent consideration assets are included in Other receivables and Other non-current assets on the Company's Condensed Consolidated Balance Sheets. (3)

Contingent consideration liabilities represent arrangements to pay the former owners of certain companies that Trimble acquired. The undiscounted maximum payment under the arrangements is \$18.3 million at the end of the (4) first quarter of fiscal 2016, based on estimated future revenues, gross margins or other milestones. Contingent consideration liabilities are included in Other current liabilities and Other non-current liabilities on the Company's Condensed Consolidated Balance Sheets.

**Additional Fair Value Information**

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

| As of                     | Carrying Fair<br>Amount Value   |                         | Carrying Fair<br>Amount Value   |                         |
|---------------------------|---------------------------------|-------------------------|---------------------------------|-------------------------|
|                           | First Quarter<br>of Fiscal 2016 | Fiscal Year<br>End 2015 | First Quarter<br>of Fiscal 2016 | Fiscal Year<br>End 2015 |
| (Dollars in millions)     |                                 |                         |                                 |                         |
| <b>Assets:</b>            |                                 |                         |                                 |                         |
| Cash and cash equivalents | \$174.7                         | \$174.7                 | \$116.0                         | \$116.0                 |
| <b>Liabilities:</b>       |                                 |                         |                                 |                         |
| Notes                     | \$400.0                         | \$409.2                 | \$400.0                         | \$399.9                 |
| 2014 Credit Facility      | 144.0                           | 144.0                   | 216.0                           | 216.0                   |

|                                 |       |       |       |       |
|---------------------------------|-------|-------|-------|-------|
| Uncommitted facilities          | 135.0 | 135.0 | 118.0 | 118.0 |
| Promissory notes and other debt | 1.3   | 1.3   | 1.2   | 1.2   |

The fair value of cash and cash equivalents is based on quoted prices in active markets for identical assets or liabilities, and is categorized as Level I in the fair value hierarchy. The fair value of the Notes was determined based on observable market prices in less active markets and is categorized accordingly as Level II in the fair value hierarchy. The fair value of the bank borrowings



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and promissory notes has been calculated using an estimate of the interest rate the Company would have had to pay on the issuance of notes with a similar maturity and discounting the cash flows at that rate, and is categorized as Level II in the fair value hierarchy. The fair values do not give an indication of the amount that the Company would currently have to pay to extinguish any of this debt.

**NOTE 9. PRODUCT WARRANTIES**

The Company accrues for warranty costs as part of its cost of sales based on associated material product costs, technical support, labor costs, and costs incurred by third parties performing work on the Company's behalf. The Company's expected future costs are primarily estimated based upon historical trends in the volume of product returns within the warranty period and the costs to repair or replace the equipment. When products sold include warranty provisions, they are covered by a warranty for periods ranging generally from 1 year to 2 years.

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

Changes in the Company's product warranty liability during the first quarter of fiscal 2016 are as follows:

(Dollars in millions)

|   |        |
|---|--------|
| Balance as of fiscal year end 2015                        | \$18.5 |
| Accruals for warranties issued                            | 3.7    |
| Changes in estimates                                      | 1.4    |
| Warranty settlements (in cash or in kind)                 | (5.7 ) |
| Balance as of the end of the first quarter of fiscal 2016 | \$17.9 |

**NOTE 10. EARNINGS PER SHARE**

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

First Quarter  
of  
2016 2015

(In millions, except per share amounts)

Numerator:

|   |        |        |
|---|--------|--------|
| Net income attributable to Trimble Navigation Limited | \$19.8 | \$34.1 |
|---|--------|--------|

Denominator:

|  |        |        |
|--|--------|--------|
| Weighted-average shares outstanding          | 251.0  | 259.4  |
| Effect of dilutive securities                | 3.0    | 3.0    |
| Weighted-average dilutive shares outstanding | 254.0  | 262.4  |
| Basic earnings per share                     | \$0.08 | \$0.13 |
| Diluted earnings per share                   | \$0.08 | \$0.13 |

For the first quarter of fiscal 2016 and 2015, the Company excluded 5.5 million and 5.0 million shares of outstanding stock options, respectively, from the calculation of diluted earnings per share because their effect would have been antidilutive.

**NOTE 11. INCOME TAXES**



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In the first quarter of fiscal 2016, the Company's effective income tax rate was 33%, as compared to 23% in the corresponding period in fiscal 2015. The rate increase in the first quarter of fiscal 2016 was primarily due to an increase in nondeductible expenses and other discrete items. This compared to a rate decrease in the first quarter of fiscal 2015 due to a benefit resulting from the closure of a foreign tax audit.

Historically, the Company's effective tax rate has been lower than the U.S. federal statutory rate of 35% primarily due to favorable tax rates associated with certain earnings from operations in lower-tax jurisdictions. The Company has not provided U.S. taxes for all of such earnings due to the indefinite reinvestment of some of those earnings outside the U.S.

The Company and its subsidiaries are subject to U.S. federal and state, and foreign income tax. The Company is currently in different stages of multiple year examinations by the Internal Revenue Service (IRS) as well as various state and foreign taxing authorities.

In the first quarter of fiscal 2015, the Company received a Notice of Proposed Adjustment from the IRS for the fiscal years 2010 and 2011. The proposed adjustments primarily relate to the valuations of intercompany transfers of acquired intellectual property. The assessments of tax, interest and penalties for the years in question total \$67.0 million. The Company does not agree with the IRS position and filed a protest with the IRS Appeals Office in April 2015. The IRS appeals process commenced in March, 2016. While the Company and the IRS continue the appeals process, the Company has not changed its conclusions regarding its original filing positions. No payments have been made on the assessment, and the Company intends to continue to vigorously defend its position.

Based on the information currently available, the Company does not anticipate a significant increase or decrease to its unrecognized tax benefits within the next twelve months. The unrecognized tax benefits of \$56.0 million and \$52.7 million as of the end of the first quarter of fiscal 2016 and fiscal year end 2015, respectively, if recognized, would favorably affect the effective income tax rate in future periods. Unrecognized tax benefits are recorded in Other non-current liabilities and in the deferred tax accounts in the accompanying Condensed Consolidated Balance Sheets. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company's unrecognized tax benefit liabilities include interest and penalties as of the end of the first quarter of fiscal 2016 and fiscal year end 2015, of \$7.7 million and \$6.7 million, respectively, which were recorded in Other non-current liabilities in the accompanying Condensed Consolidated Balance Sheets.

**NOTE 12. COMMITMENTS AND CONTINGENCIES****Leases and Other Commitments**

The estimated future minimum operating lease commitments as of the end of the first quarter of fiscal 2016 are as follows (in millions):

|                  |         |
|------------------|---------|
| 2016 (Remaining) | \$24.6  |
| 2017             | 28.0    |
| 2018             | 20.6    |
| 2019             | 15.9    |
| 2020             | 12.7    |
| Thereafter       | 32.1    |
| Total            | \$133.9 |

As of the end of the first quarter of fiscal 2016, the Company had unconditional purchase obligations of approximately \$143.6 million. These unconditional purchase obligations primarily represent open non-cancelable purchase orders for material purchases with the Company's vendors. Purchase obligations exclude agreements that are cancelable without penalty.

**Litigation**

On September 2, 2011 Research Data Services, LLC filed a lawsuit in the Superior Court for the State of Alaska in Anchorage against Trimble Navigation Limited, Cabela's Incorporated, AT&T Mobility and Alascom, Inc., alleging breach of contract, breach of fiduciary duty, interference with contract, promissory estoppel, fraud, and negligent misrepresentation. The case was tried in front of a jury in Alaska beginning on September 9, 2014. On September 26, 2014, the jury returned a verdict in favor of the plaintiff and awarded the plaintiff damages of \$51.3 million. On

January 29, 2015, the court granted our Motion for Judgment notwithstanding the Verdict, and on March 18, 2015, the Court awarded the Company a portion of its incurred attorneys' fees and

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costs, and entered Final Judgment in the Company's favor in the amount of \$0.6 million. The Final Judgment also provides that the plaintiff take nothing on its claims. On April 17, 2015, the plaintiff filed a Notice of Appeal to the Alaska Supreme Court. The parties have completed all appellate briefing, and oral arguments were heard before the Alaska Supreme Court on February 24, 2016. A decision by the Alaska Supreme Court has not been made. On March 12, 2015, Rachel Thompson filed a putative class action complaint in California Superior Court against the Company, the members of its Board of Directors, and JP Morgan Chase Bank. The suit alleges that the Company's Board of Directors breached their fiduciary obligations to the Company's shareholders by entering into a credit agreement with JP Morgan Chase Bank that contains certain change of control provisions that plaintiff contends are disadvantageous to shareholders. The complaint seeks declaratory relief, injunctive relief, and costs of the action but does not seek monetary damages. The parties have reached a proposed settlement, which would modify one provision of the credit agreement and permit the named plaintiff to seek recovery of attorney's fees. By order filed February 1, 2016, the Court granted preliminary approval of the proposed settlement, ordered that notice be provided to shareholders, and scheduled a hearing on June 10, 2016 to consider any objections to the settlement. From time to time, the Company is also involved in litigation arising out of the ordinary course of our business. There are no other material legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which any of the Company's or its subsidiaries' property is subject.

## NOTE 13. REVISIONS TO PREVIOUSLY REPORTED FINANCIAL INFORMATION

As disclosed in the Company's fiscal 2015 Annual Report on Form 10-K, the Company identified an error in its previously reported financial statements with regard to a portion of its goodwill balance arising from deferred tax liabilities in foreign jurisdictions that had not been properly translated to U.S. dollars. As a result, both goodwill and the cumulative translation adjustment included in Accumulated other comprehensive loss on the Condensed Consolidated Balance Sheets were overstated and the resulting foreign currency translation adjustment component of Other comprehensive income (loss) was incorrect. There was no impact on net income or cash flows.

The Company evaluated the impact of the error, both quantitatively and qualitatively, and concluded that the differences were not material individually or in the aggregate to any of the prior reporting periods. The impact had no effect on net income or cash flows, but in light of the significance of the cumulative amount of the error on comprehensive income for the third quarter and full fiscal year 2015, the Company revised previously issued financial information, including the first quarter of fiscal 2015 contained in this Quarterly Report on Form 10-Q, to correct for the foreign currency translation figures.

The following table presents the impact of these corrections in the Condensed Consolidated Statements of Comprehensive Income for the first quarter of 2015 (in millions):

| Consolidated Statements of Comprehensive Income                   | First Quarter of 2015        |            |               |
|---|------------------------------|------------|---------------|
|   | As<br>previously<br>Reported | Adjustment | As<br>Revised |
| Net income  | \$34.0                       | \$ —       | \$34.0        |
| Foreign currency translation adjustments                          | (67.2 )                      | (3.1 )     | (70.3 )       |
| Net unrealized actuarial gain                                     | 0.1                          | —          | 0.1           |
| Comprehensive loss  | (33.1 )                      | (3.1 )     | (36.2 )       |
| Less: Comprehensive loss attributable to noncontrolling interests | (0.1 )                       | —          | (0.1 )        |
| Comprehensive loss attributable to Trimble Navigation Limited     | \$(33.0)                     | \$(3.1)    | \$(36.1)      |



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**SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q 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. These statements include, among other things:

- the portion of our revenue coming from sales to international customers;
- seasonal fluctuations in our construction and agricultural equipment business revenues, and macroeconomic conditions and business conditions in the markets we serve;
- our plans to continue to invest in research and development at a rate consistent with our past, to develop and introduce new products, and to improve our competitive position, and to enter new markets;
- our belief that increases in recurring revenue from our software and solutions will provide us with enhanced business visibility over time;
- our potential exposure in connection with pending proceedings;
- our belief that our cash and cash equivalents, together with borrowings under our 2014 Credit Facility, will be sufficient to meet our anticipated operating cash needs, debt service, planned capital expenditures, and stock purchases under the stock repurchase program for at least the next twelve months;
- our expectation that planned capital expenditures will constitute a partial use of our cash resources; and
- fluctuations in interest rates.

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” below. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “should,” “could,” “predicts,” “potential,” “continue,” “expects,” “anticipates,” “future,” “i believe,” “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, including but not limited to those discussed in “Risk Factors” below and elsewhere in this report, as well as in the Company’s Annual Report on Form 10-K for fiscal year 2015 and in other reports Trimble files with the Securities and Exchange Commission, each as it may be amended from time to time. These forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q. We reserve the right to update these forward-looking statements for any reason, including the occurrence of material events, but assume no duty to update these statements to reflect subsequent events.

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

The discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the U. S. The preparation of these financial statements requires us to make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. We base our estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on our best knowledge of current events and actions that may impact us in the future, actual results may be different from the estimates.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Management’s Discussion and Analysis of Financial Condition and Results of Operations is based on our Condensed Consolidated Financial Statements. The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying Notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management’s best knowledge of current events and actions that may impact the company in the future, actual results may be different from the estimates. Management believes that there have been no significant

changes during the first quarter of fiscal 2016 to the items that we disclosed as our critical accounting policies and estimates in the Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2015 Annual Report on Form 10-K.

**RECENT ACCOUNTING PRONOUNCEMENTS**

For a summary of recent accounting pronouncements applicable to our Consolidated Financial Statements, see Note 2 to our Condensed Consolidated Financial Statements in Item 1, which is incorporated herein by reference.



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## EXECUTIVE LEVEL OVERVIEW

Trimble is a leading provider of technology solutions that optimize the work processes of office and mobile field professionals around the world. Our comprehensive process solutions are used across a range of industries including agriculture, architecture, civil engineering, construction, environmental management, government, natural resources, transportation and utilities. Representative Trimble customers include engineering and construction firms, contractors, surveying companies, farmers and agricultural companies, enterprise firms with large-scale fleets, energy, mining and utility companies, and state, federal and municipal governments.

Trimble focuses on integrating its broad technological and application capabilities to create vertically-focused, system-level solutions that transform how work is done within the industries we serve. The integration of sensors, software, connectivity, and information in our portfolio gives us the unique ability to provide an information model specific to the customer's workflow. For example, in construction, our strategy is centered on the concept of a "constructible model" which is at the center of our "Connected Construction Site" solutions which provide real-time, connected, and cohesive information environments for the design, build, and operational phases of projects. In agriculture, we continue to develop "Connected Farm" solutions to optimize operations across the agriculture workflow. In transportation and logistics, we provide transportation companies with tools to enhance fuel efficiency, safety, and transparency through connected vehicles and fleets across the enterprise.

Our growth strategy is centered on multiple elements:

Focus on attractive markets with significant growth and profitability potential - We focus on large markets historically underserved by technology that offer significant potential for long-term revenue growth, profitability and market leadership. Our core industries such as construction, agriculture, and transportation markets are each multi-trillion dollar global industries which operate in increasingly demanding environments with technology adoption in the early phases relative to other industries. With the emergence of mobile computing capabilities, the increasing technological know-how of end users and the compelling return on investment to our customers, we believe many of our markets are ripe for substituting Trimble's technology and solutions in place of traditional operating methods.

Domain knowledge and technological innovation that benefit a diverse customer base - We have over time redefined our technological focus from hardware-driven point solutions to integrated work process solutions by developing domain expertise and heavily reinvesting in R&D and acquisitions. We have been spending an average of 13% to 14% of revenue over the past several years on R&D and currently have over 1,100 unique patents. We intend to continue to take advantage of our technology portfolio and deep domain knowledge to quickly and cost-effectively deliver specific, targeted solutions to each of the vertical markets we serve. We look for opportunities where the need for technological change is high and which have a requirement for the integration of multiple technologies into complete vertical solutions.

Increasing focus on software and services - Software and services are increasingly important elements of our solutions and are core to our growth strategy. Trimble has an open application programming interface (API) philosophy and open vendor environment which leads to increased adoption of our software offerings. Professional services constitute an additional growth channel that helps our customers integrate and optimize the use of our offerings in their environment. The increased recurring revenue from these solutions will provide us with enhanced business visibility over time.

Geographic expansion with localization strategy - We view international expansion as an important element of our strategy and we continue to position ourselves in geographic markets that will serve as important sources of future growth. We currently have a physical presence in 43 countries and distribution channels in over 100 countries. In the first quarter of fiscal 2016, 51% of our sales were to customers located in countries outside of the U.S.

Optimized distribution channels to best access our markets - We utilize vertically-focused distribution channels that leverage domain expertise to best serve the needs of individual markets domestically and abroad. These channels include independent dealers, joint ventures, original equipment manufacturers (OEM) sales, and distribution alliances with key partners, such as CNH Global, Caterpillar, and Nikon, as well as direct sales to end-users, that provide us with broad market reach and localization capabilities to effectively serve our markets.

Strategic acquisitions - Organic growth continues to be our primary focus, while acquisitions serve to enhance our market position. We acquire businesses that bring technology, products, or distribution capabilities that augment our

portfolio and allow us to penetrate existing markets more effectively, or to establish a market beachhead. Our level of success in targeting and effectively integrating acquisitions is an important aspect of our growth strategy.

Trimble's focus on these growth drivers has led over time to growth in revenue and profitability as well as an increasingly diversified business model. Software and services growth is driving increased recurring revenue, leading to improved visibility in our business. As our solutions have expanded, our go to market model has also evolved, with a balanced mix between direct, distribution and OEM customers, and an increasing number of enterprise level customer relationships.

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For the first quarter of 2016, revenue was flat as compared to the first quarter of 2015. By geography, performance in the first quarter was mixed. Asia, Europe, and Rest of World were down year over year, and North America was up slightly. Within the quarter, we continued to experience a shift in revenue towards a more significant mix of software, recurring revenue, and services, driven both by organic growth and acquisitions.

During the first quarter of 2016, we completed two acquisitions for total consideration of \$10.0 million, most significant of which was our acquisition of Sefaira Ltd., a developer of cloud-based software for the design of sustainable and high-performance buildings, based in London and New York. The acquisitions' results are reported under our Engineering and Construction business segment.

**Seasonality of Business**

Construction purchases tend to occur in early spring, and U.S. 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. Our agricultural equipment business revenues have historically been the highest in the first quarter, followed by the second quarter, reflecting buying in anticipation of the spring planting season in the Northern hemisphere. However, overall as a company, as a result of diversification of our business across segments and the increased impact of subscription revenues, we may experience less seasonality in the future. Changes in global macroeconomic conditions could also impact the level of seasonality we experience.

**RESULTS OF OPERATIONS****Overview**

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

|                       | First Quarter of |         |
|-----------------------|------------------|---------|
|                       | 2016             | 2015    |
| (Dollars in millions) |                  |         |
| Revenue:              |                  |         |
| Product               | \$393.6          | \$400.6 |
| Service               | 101.6            | 100.9   |
| Subscription          | 87.8             | 81.1    |
| Total revenue         | \$583.0          | \$582.6 |
| Gross margin          | \$300.6          | \$307.2 |
| Gross margin %        | 51.6 %           | 52.7 %  |
| Operating income      | \$29.9           | \$39.5  |
| Operating income %    | 5.1 %            | 6.8 %   |

**Revenue**

In the first quarter of fiscal 2016, total revenue was flat as compared to the first quarter of fiscal 2015. Subscription revenue increased \$6.7 million or 8%, service revenue increased \$0.7 million or 1%, partially offset by a decrease in product revenue of \$7.0 million or 2%. Service and subscription increases were primarily due to organic growth within Mobile Solutions and to a lesser extent, acquisition growth within Field Solutions. The product revenue decrease was primarily within Field Solutions and Advanced Devices, partially offset by increases in Engineering and Construction and Mobile Solutions. We consider organic growth to include all revenue except for revenue associated with acquisitions made within the last four quarters.

On a segment basis, Engineering and Construction revenue for the first quarter of fiscal 2016 increased \$10.5 million or 4% and Mobile Solutions increased \$8.1 million or 6%, partially offset by a decrease in Field Solutions of \$9.3 million or 8% and a decrease in Advanced Devices of \$8.9 million or 22%, as compared to the first quarter of fiscal 2015. Engineering and Construction increased revenue was primarily driven by heavy civil organic and acquisition growth, partially offset by geospatial due to continued weakness as a result of the effects of oil price declines on regional economies. Mobile Solutions revenue increased due to continued growth in the transportation and logistics

market. The decline in Field Solutions revenue was primarily due to continued softness in agricultural markets. Advanced Devices revenue decreased primarily due to weaker OEM and end user sales.

Gross Margin

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

Gross margin decreased by \$6.6 million for the first quarter of fiscal 2016, as compared to the first quarter of fiscal 2015. Gross margin as a percentage of total revenue was 51.6% for the first quarter of fiscal 2016, as compared to 52.7% for the first quarter of fiscal 2015. The decrease was primarily due to geographic mix in Field Solutions and the impact of product mix in transportation and logistics within Mobile Solutions.

**Operating Income**

Operating income decreased by \$9.6 million for the first quarter of fiscal 2016, as compared to the first quarter of fiscal 2015. Operating income as a percentage of total revenue was 5.1% for the first quarter of fiscal 2016, as compared to 6.8% for the first quarter of fiscal 2015.

The decrease in operating income and operating income percentage for the first quarter of fiscal 2016 was primarily due to revenue declines in Field Solutions and Advanced Devices and the impact of product mix and growth investments in Mobile Solutions.

**Results by Segment**

To achieve distribution, marketing, production, and technology advantages in our targeted markets, we manage our operations in the following four segments: Engineering and Construction, Field Solutions, Mobile Solutions, and Advanced Devices. Operating income is revenue less cost of sales and operating expense, excluding general corporate expense, acquisition/divestiture costs, amortization of purchased intangible assets, restructuring charges, stock-based compensation and executive transition costs.

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

|  | First Quarter of |         |
|--|------------------|---------|
|  | 2016             | 2015    |
| (Dollars in millions)                            |                  |         |
| <b>Engineering and Construction</b>              |                  |         |
| Revenue  | \$309.8          | \$299.3 |
| Segment revenue as a percent of total revenue    | 53               | % 51 %  |
| Operating income                                 | \$44.1           | \$37.0  |
| Operating income as a percent of segment revenue | 14               | % 12 %  |
| <b>Field Solutions</b>                           |                  |         |
| Revenue  | \$106.0          | \$115.3 |
| Segment revenue as a percent of total revenue    | 18               | % 20 %  |
| Operating income                                 | \$33.9           | \$40.6  |
| Operating income as a percent of segment revenue | 32               | % 35 %  |
| <b>Mobile Solutions</b>                          |                  |         |
| Revenue  | \$136.3          | \$128.2 |
| Segment revenue as a percent of total revenue    | 23               | % 22 %  |
| Operating income                                 | \$18.9           | \$20.5  |
| Operating income as a percent of segment revenue | 14               | % 16 %  |
| <b>Advanced Devices</b>                          |                  |         |
| Revenue  | \$30.9           | \$39.8  |
| Segment revenue as a percent of total revenue    | 6                | % 7 %   |
| Operating income                                 | \$10.3           | \$15.2  |
| Operating income as a percent of segment revenue | 33               | % 38 %  |

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

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|   | First Quarter of |         |
|---|------------------|---------|
|   | 2016             | 2015    |
| (Dollars in millions)                       |                  |         |
| Consolidated segment operating income       | \$107.2          | \$113.3 |
| Unallocated corporate expense               | (21.2 )          | (19.3 ) |
| Restructuring charges                       | (2.1 )           | (1.3 )  |
| Stock-based compensation                    | (13.7 )          | (12.5 ) |
| Amortization of purchased intangible assets | (40.3 )          | (40.7 ) |
| Consolidated operating income               | 29.9             | 39.5    |
| Non-operating income (expense), net:        | (0.5 )           | 4.7     |
| Consolidated income before taxes            | \$29.4           | \$44.2  |

Unallocated corporate expense includes general corporate expense, acquisition costs and executive transition costs.  
Engineering and Construction

Engineering and Construction revenue increased by \$10.5 million or 4% for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015. Segment operating income increased by \$7.1 million or 19% for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015.

The revenue increase for the first quarter of fiscal 2016 was primarily driven by heavy civil organic and acquisition growth with strength in most regions, while geospatial was down with continued weakness as a result of the effects of oil price declines on regional economies, primarily in North America. To a lesser extent, building construction contributed to the growth. Operating income increased due to stronger revenue and gross margins in heavy civil and cost containment in building construction and geospatial, which offset some of the effects of the revenue decline in geospatial.

## Field Solutions

Field Solutions revenue decreased by \$9.3 million or 8% for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015. Segment operating income decreased by \$6.7 million or 17% for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015.

Field Solutions revenue decreased for the first quarter of fiscal 2016 primarily due to continued softness in agriculture markets, impacted negatively by difficult markets in North America and Brazil, partially offset by growth due to acquisitions. Operating income decreased due to agriculture revenue and gross margin declines, partially offset by cost containment actions. The agriculture markets remain challenging and although our expectation is that our product sales will improve, to the extent that negative trends continue, our revenue and operating income could be further impacted.

## Mobile Solutions

Mobile Solutions revenue increased by \$8.1 million or 6% for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015. Segment operating income decreased by \$1.6 million or 8% for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015.

Mobile Solutions revenue increased for the first quarter of fiscal 2016 primarily due to continued organic growth in the transportation and logistics business, with strength expected throughout the year as a result of large customer wins. Although revenue was up, operating income was down primarily due to the impact of lower margin product mix and growth related investments in the business. We expect that Mobile Solutions operating income will improve as a result of increased revenue and improved gross margin mix. However, both revenue and operating income could be negatively impacted to the extent that the deployment of these large customer shipments are delayed.

## Advanced Devices

Advanced Devices revenue decreased by \$8.9 million or 22% for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015. Segment operating income decreased by \$4.9 million or 32% for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015.

Advanced Devices revenue decreased for the first quarter of fiscal 2016 primarily due to weaker OEM and end user sales, as the prior period included unusually strong sales. Advanced Devices revenue can be lumpy due to the timing of these sales. Operating income decreased primarily due to the revenue declines.



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

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

|                            | First Quarter of |         |   |  |
|----------------------------|------------------|---------|---|--|
|                            | 2016             | 2015    |   |  |
| (Dollars in millions)      |                  |         |   |  |
| Research and development   | \$87.7           | \$87.2  |   |  |
| Percentage of revenue      | 15               | % 15    | % |  |
| Sales and marketing        | \$96.7           | \$96.5  |   |  |
| Percentage of revenue      | 16               | % 17    | % |  |
| General and administrative | \$68.3           | \$64.7  |   |  |
| Percentage of revenue      | 12               | % 11    | % |  |
| Total                      | \$252.7          | \$248.4 |   |  |
| Percentage of revenue      | 43               | % 43    | % |  |

Overall, R&D, S&M and G&A expense increased by approximately \$4.3 million for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015.

Research and development expense was flat for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015. Overall, research and development spending was 15% of revenue in the first quarter of both fiscal 2016 and 2015. As compared to the prior year, first quarter of fiscal 2016 research and development expense increased 4% due to expense from acquisitions not applicable in the prior corresponding period, partially offset by a 2% decrease due to favorable foreign exchange rates and a 2% decrease due to lower compensation and other expenses.

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

Sales and marketing expense was flat for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015. Overall, spending for sales and marketing was 16% of revenue in the first quarter of fiscal 2016 versus 17% in the corresponding period of fiscal 2015. As compared to the prior year, first quarter of fiscal 2016 sales and marketing expense increased 3% due to expense from acquisitions not applicable in the prior corresponding period and a 1% increase due to higher compensation, partially offset by a 2% decrease due to a decrease in other expenses and a 2% decrease due to favorable foreign exchange rates.

General and administrative expense increased by \$3.6 million, or 6%, for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015. Overall, general and administrative spending was 12% of revenue in first quarter of fiscal 2016 versus 11% in the corresponding period of fiscal 2015. As compared to the prior year, first quarter of fiscal 2016 general and administrative expense increased 4% due to expense from acquisitions not applicable in the prior corresponding period, a 3% increase due to increased consulting expense and a 1% increase due to executive transition costs, partially offset by a 1% decrease due to favorable foreign exchange rates and a 1% decrease in other expenses.

## Amortization of Purchased Intangible Assets

Amortization of purchased intangible assets was \$40.3 million in the first quarter of fiscal 2016, as compared to \$40.7 million in the first quarter of fiscal 2015. Of the total \$40.3 million in the first quarter of fiscal 2016, \$16.2 million is presented as a separate line within Operating expense and \$24.1 million is presented as a separate line within Cost of sales in our Condensed Consolidated Statements of Income. Of the total \$40.7 million in the first quarter of fiscal 2015, \$18.2 million is presented as a separate line within Operating expense and \$22.5 million is presented as a separate line within Cost of sales in our Condensed Consolidated Statements of Income. Amortization in the first



quarter of fiscal 2016 reflects acquisitions not included in the first quarter of fiscal 2015 offset by the expiration of amortization for prior acquisitions. As of the end of the first quarter of fiscal 2016 future amortization of intangible assets is expected to be \$112.7 million during the remainder of fiscal 2016, \$130.7 million during 2017, \$101.9 million during 2018, \$60.2 million during 2019, \$31.4 million during 2020 and \$15.6 million thereafter.

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## Non-operating Income (Expense), Net

The components of Non-operating income (expense), net, were as follows:

|   | First Quarter<br>of |         |
|---|---------------------|---------|
|   | 2016                | 2015    |
| (Dollars in millions)                         |                     |         |
| Interest expense                              | \$(6.6)             | \$(6.4) |
| Foreign currency transaction gain (loss), net | (0.1)               | 1.1     |
| Income from equity method investments, net    | 2.9                 | 3.0     |
| Other income, net                             | 3.3                 | 7.0     |
| Total non-operating income (expense), net     | \$(0.5)             | \$4.7   |

Non-operating income (expense), net decreased \$5.2 million for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015. The decrease was primarily related to gains recognized on divested businesses, as well as changes in net foreign currency transaction gains and losses.

## Income Tax Provision

Our effective income tax rate, after discrete items, for the first quarter of fiscal 2016 was 33%, as compared to 23% in the corresponding period in fiscal 2015. The rate increase in the first quarter of fiscal 2016 was primarily due to an increase in nondeductible expenses and other discrete items. This compared to a rate decrease in the first quarter of fiscal 2015 due to a benefit resulting from the closure of a foreign tax audit. Historically, our effective tax rate has been lower than the U.S. federal statutory rate of 35% primarily due to the favorable tax rates associated with certain earnings from operations in lower-tax jurisdictions. We have not provided U.S. taxes for such earnings due to the indefinite reinvestment of some of those earnings outside the U.S.

## OFF-BALANCE SHEET FINANCINGS AND LIABILITIES

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

In the normal course of business to facilitate sales of our products, we indemnify other parties, including customers, lessors and parties to other transactions with us, with respect to certain matters. We have agreed to hold the other party harmless against losses arising from a breach of representations or covenants, or out of intellectual property infringement or other claims made against certain parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. From time to time, in connection with divesting some of our businesses or assets, we may also indemnify purchasers for certain matters in the normal course of business, such as breaches of representations, covenants or excluded liabilities. In addition, we have entered into indemnification agreements with our officers and directors, and our bylaws contain similar indemnification obligations to our agents.

It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under these agreements were not material and no liabilities have been recorded for these obligations on the Condensed Consolidated Balance Sheets as of the end of the first quarter of fiscal 2016 and fiscal year end 2015.

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## LIQUIDITY AND CAPITAL RESOURCES

|  | First<br>Quarter<br>of<br>2016 | Fiscal Year End<br>2015 |  |   |
|--|--------------------------------|-------------------------|--|---|
| As of<br>(In millions)                                       |                                |                         |  |   |
| Cash and cash equivalents                                    | \$174.7                        | \$ 116.0                |  |   |
| As a percentage of total assets                              | 4.7                            | % 3.2                   |  | % |
| Principal balance of outstanding debt                        | 680.3                          | 735.2                   |  |   |
|  | First Quarter of<br>2016       | 2015                    |  |   |
| (In millions)  |                                |                         |  |   |
| Cash provided by operating activities                        | \$113.2                        | \$ 107.2                |  |   |
| Cash used in investing activities                            | (8.3 )                         | (35.4 )                 |  |   |
| Cash used in financing activities                            | (49.9 )                        | (65.2 )                 |  |   |
| Effect of exchange rate changes on cash and cash equivalents | 3.7                            | (8.9 )                  |  |   |
| Net increase (decrease) in cash and cash equivalents         | \$58.7                         | \$ (2.3 )               |  |   |

## Cash and Cash Equivalents

As of the end of the first quarter of fiscal 2016, cash and cash equivalents totaled \$174.7 million as compared to \$116.0 million as of fiscal year end 2015. We had a principal balance of outstanding debt of \$680.3 million as of the end of the first quarter of fiscal 2016, as compared to \$735.2 million as of fiscal year end 2015.

Our ability to continue to generate cash from operations will depend in large part on profitability, the rate of collections of accounts receivable, our inventory turns and our ability to manage other areas of working capital.

We believe that our cash and cash equivalents, together with borrowings under our 2014 Credit Facility as described below under the heading "Debt", will be sufficient to meet our anticipated operating cash needs, debt service, planned capital expenditures, acquisitions and stock repurchases under the stock repurchase program for at least the next twelve months.

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

## Operating Activities

Cash provided by operating activities was \$113.2 million for the first quarter of fiscal 2016, as compared to \$107.2 million for the first quarter of fiscal 2015. The increase of \$6.0 million was primarily driven by a decrease in working capital requirements.

## Investing Activities

Cash used in investing activities was \$8.3 million for the first quarter of fiscal 2016, as compared to \$35.4 million for the first quarter of fiscal 2015. The decrease of \$27.1 million was due to reduced spending for business acquisitions.

## Financing Activities

Cash used in financing activities was \$49.9 million for the first quarter of fiscal 2016, as compared to \$65.2 million for the first quarter of fiscal 2015. The decrease of cash used in financing activities of \$15.3 million was primarily due to an increase in net proceeds from debt and revolving credit lines.

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## Accounts Receivable and Inventory Metrics

|  | First<br>Quarter<br>of<br>2016 | Fiscal Year End<br>2015 |
|--|--------------------------------|-------------------------|
| As of                                      |                                |                         |
| Accounts receivable days sales outstanding | 59                             | 59                      |
| Inventory turns per year                   | 4.1                            | 4.0                     |

Accounts receivable days sales outstanding were both 59 days as of the end of the first quarter of fiscal 2016 and the end of fiscal 2015. Accounts receivable days sales outstanding are calculated based on ending accounts receivable, net, divided by revenue for the corresponding fiscal quarter, times a quarterly average of 91 days. Our inventory turns were 4.1 as of the end of the first quarter of fiscal 2016 and 4.0 as of the end of fiscal 2015. Our inventory turnover is calculated based on total cost of sales for the most recent twelve months divided by average ending inventory, net, for this same twelve month period.

## Debt

## Notes

In November 2014, we issued \$400.0 million of Senior Notes ("Notes") in a public offering registered with the Securities and Exchange Commission. The Notes mature on December 1, 2024 and accrue interest at a rate of 4.75% per annum, payable semiannually in arrears in cash on December 1 and June 1 of each year. In connection with the Notes offering, we entered into an Indenture with U.S. Bank National Association, as trustee. We may redeem the Notes at our option at any time, in accordance with the terms and conditions set forth in the Indenture. Further details regarding the terms of the Notes, including the redemption rights, and the Indenture, are provided in the Company's Annual Report on Form 10-K for fiscal 2015.

## 2014 Credit Facility

In November 2014, we entered into a five-year credit agreement with a group of lenders (the "2014 Credit Facility"), which provides for an unsecured revolving loan facility of \$1.0 billion. Under the 2014 Credit Facility, we may borrow, repay and reborrow funds under the revolving loan facility until its maturity on November 24, 2019, at which time the revolving facility will terminate, and all outstanding loans, together with all accrued and unpaid interest, must be repaid. The interest rate on the non-current debt outstanding under the 2014 Credit Facility was 1.66% and 1.46% at the end of the first quarter of fiscal 2016 and fiscal year end 2015, respectively, and is payable on a quarterly basis. Amounts not borrowed under the revolving facility will be subject to a commitment fee. We were in compliance with all covenants pertaining to the 2014 Credit Facility at the end of the first quarter of fiscal 2016.

## Uncommitted Facilities

We also have two \$75 million revolving credit facilities which are uncommitted (the "Uncommitted Facilities"). The Uncommitted Facilities may be called by the lenders at any time, have no covenants and no specified expiration date. The \$135.0 million outstanding at the end of the first quarter of fiscal 2016 and the \$118.0 million outstanding at the end of fiscal 2015 under the Uncommitted Facilities are considered short-term. The weighted average interest rate on the Uncommitted Facilities was both 1.37% at the end of the first quarter of fiscal 2016 and the end of fiscal 2015.

## Promissory Notes and Other Debt

At the end of the first quarter of fiscal 2016 and the end of fiscal 2015, the Company had promissory notes and other notes payable totaling approximately \$1.3 million and \$1.2 million, respectively, of which \$1.0 million and \$0.9 million was classified as long-term in the Condensed Consolidated Balance Sheet.

For additional discussion of our debt, see Note 7 of Notes to Condensed Consolidated Financial Statements.

## Repatriation of Foreign Earnings and Income Taxes

As of the first quarter of fiscal 2016, \$157.5 million of cash and cash equivalents was held by our foreign subsidiaries, of which \$11.0 million was borrowed from the U.S. under intercompany financing arrangements. If these loaned funds are needed for our operations in the U.S., we would not be required to accrue and pay U.S. federal and state taxes to repatriate the loaned funds. We expect that over the next quarter these intercompany financing arrangements will be repaid and after such repayment, we would be required to pay U.S. federal and state taxes upon any

repatriation of remaining cash held by our foreign subsidiaries. While a significant portion of our foreign earnings continue to be permanently reinvested in our foreign subsidiaries, it is anticipated this reinvestment will not impede cash needs at the parent company level. However, if we were to make significant acquisitions or stock repurchases, we may be required to increase our outstanding indebtedness, which could result in increased borrowing costs. In our determination of which foreign earnings are permanently reinvested, we consider numerous factors, including the financial requirements of the U.S. parent company, the financial requirements of the foreign subsidiaries, and the tax consequences of remitting the foreign earnings back to the U.S. There are no other material impediments to our ability to access sources of liquidity

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and our resulting ability to meet short and long-term liquidity needs, other than in the event we are not in compliance with the covenants under our 2014 Credit Facility or the potential tax costs of remitting foreign earnings back to the U.S.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

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

Non-GAAP gross margin

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

Non-GAAP operating expenses

We believe this measure is important to investors evaluating our non-GAAP spending in relation to revenue.

Non-GAAP operating expenses exclude restructuring costs, amortization of purchased intangible assets, stock-based compensation, acquisition/divestiture costs associated with external and incremental costs resulting directly from merger and acquisition activities such as legal, due diligence, and integration costs, and executive transition costs from GAAP operating expenses. We believe that these exclusions offer investors supplemental information to facilitate comparison of our operating expenses to our prior results.

Non-GAAP operating income

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

Non-GAAP non-operating income (expense), net

We believe this measure helps investors evaluate our non-operating income trends. Non-GAAP non-operating income (expense), net excludes acquisition and divestiture gains/losses associated with unusual acquisition related items such as intangible asset impairment charges and gains or losses related to the acquisition or sale of certain businesses and investments. Non-GAAP non-operating income (expense), net also excludes the write-off of debt issuance cost associated with terminated and/or modified credit facilities and costs associated with the issuance of new credit facilities and Senior Notes that were not capitalized as debt issuance costs. We believe that these exclusions provide investors with a supplemental view of our ongoing financial results.

Non-GAAP income tax provision

We believe that providing investors with the non-GAAP income tax provision is beneficial because it provides for consistent treatment of the excluded items in our non-GAAP presentation.

Non-GAAP net income

This measure provides a supplemental view of net income trends which are driven by non-GAAP income before taxes and our non-GAAP tax rate. Non-GAAP net income excludes restructuring costs, amortization of purchased intangible assets, stock-based compensation, acquisition and divestiture costs, executive transition costs, write-off of debt issuance cost and non-GAAP tax adjustments from GAAP net income. We believe our investors benefit from understanding these exclusions and from an alternative view of our net income performance as compared to our past net income performance.

Non-GAAP diluted net income per share

We believe our investors benefit by understanding our non-GAAP operating performance as reflected in a per share calculation as a way of measuring non-GAAP operating performance by ownership in the company. Non-GAAP

diluted net income per share excludes restructuring costs, amortization of purchased intangible assets, stock-based compensation, acquisition and divestiture costs, executive transition costs, a write-off of debt issuance costs and non-GAAP tax adjustments from GAAP diluted net income per share. We believe that these exclusions offer investors a useful view of our diluted net income per share as compared to our past diluted net income per share.

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

| (In millions, except per share amounts)         | First Quarter of |         |   | 2015         |         |              |
|---|------------------|---------|---|--------------|---------|--------------|
|   | 2016             |         |   | Dollar       | % of    | %            |
|   | Dollar           | % of    |   | Dollar       | % of    |              |
|   | Amount           | Revenue |   | Amount       | Revenue |              |
| <b>GROSS MARGIN:</b>                            |                  |         |   |              |         |              |
| GAAP gross margin:                              | \$300.6          | 51.6    | % | \$307.2      | 52.7    | %            |
| Restructuring charges (A)                       | 0.3              | 0.1     | % | 0.2          | —       | %            |
| Amortization of purchased intangible assets (B) | 24.1             | 4.0     | % | 22.5         | 3.9     | %            |
| Stock-based compensation (C)                    | 1.0              | 0.2     | % | 0.9          | 0.2     | %            |
| Non-GAAP gross margin:                          | \$326.0          | 55.9    | % | \$330.8      | 56.8    | %            |
| <b>OPERATING EXPENSES:</b>                      |                  |         |   |              |         |              |
| GAAP operating expenses:                        | \$270.7          | 46.4    | % | \$267.7      | 45.9    | %            |
| Restructuring charges (A)                       | (1.8 )           | (0.3 )  | % | (1.1 )       | (0.2 )  | %            |
| Amortization of purchased intangible assets (B) | (16.2 )          | (2.8 )  | % | (18.2 )      | (3.1 )  | %            |
| Stock-based compensation (C)                    | (12.7 )          | (2.2 )  | % | (11.6 )      | (2.0 )  | %            |
| Acquisition / divestiture items (D)             | (1.6 )           | (0.3 )  | % | (2.8 )       | (0.5 )  | %            |
| Executive transition costs (E)                  | (0.9 )           | (0.1 )  | % | —            | —       | %            |
| Non-GAAP operating expenses:                    | \$237.5          | 40.7    | % | \$234.0      | 40.1    | %            |
| <b>OPERATING INCOME:</b>                        |                  |         |   |              |         |              |
| GAAP operating income:                          | \$29.9           | 5.1     | % | \$39.5       | 6.8     | %            |
| Restructuring charges (A)                       | 2.1              | 0.4     | % | 1.3          | 0.2     | %            |
| Amortization of purchased intangible assets (B) | 40.3             | 6.8     | % | 40.7         | 7.0     | %            |
| Stock-based compensation (C)                    | 13.7             | 2.4     | % | 12.5         | 2.1     | %            |
| Acquisition / divestiture items (D)             | 1.6              | 0.3     | % | 2.8          | 0.5     | %            |
| Executive transition costs (E)                  | 0.9              | 0.1     | % | —            | —       | %            |
| Non-GAAP operating income:                      | \$88.5           | 15.1    | % | \$96.8       | 16.6    | %            |
| <b>NON-OPERATING INCOME (EXPENSE),</b>          |                  |         |   |              |         |              |
| <b>NET:</b>                                     |                  |         |   |              |         |              |
| GAAP non-operating income (expense), net:       | \$(0.5 )         |         |   | \$4.7        |         |              |
| Acquisition / divestiture items (D)             | (3.1 )           |         |   | (5.8 )       |         |              |
| Debt issuance cost write-off (F)                | —                |         |   | (0.1 )       |         |              |
| Non-GAAP non-operating income (expense), net:   | \$(3.6 )         |         |   | \$(1.2 )     |         |              |
|   |                  |         |   | GAAP and     |         | GAAP and     |
|   |                  |         |   | Non-GAAP (I) |         | Non-GAAP (I) |
|   |                  |         |   | Tax Rate %   |         | Tax Rate %   |

**INCOME TAX PROVISION:**



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|  |                 |      |         |      |
|--|-----------------|------|---------|------|
| GAAP income tax provision:   | \$ 9.7          | 33 % | \$ 10.2 | 23 % |
| Non-GAAP items tax effected:   | ( G ) 18.3      |      | 11.8    |      |
| Difference in GAAP and Non-GAAP tax rate                                       | ( H ) (7.5 )    |      | 1.0     |      |
| Non-GAAP income tax provision:   | \$ 20.5         | 24 % | \$ 23.0 | 24 % |
| <b>NET INCOME:</b>   |                 |      |         |      |
| GAAP net income attributable to Trimble Navigation Limited                     | \$ 19.8         |      | \$ 34.1 |      |
| Restructuring charges  | ( A ) 2.1       |      | 1.3     |      |
| Amortization of purchased intangible assets                                    | ( B ) 40.3      |      | 40.7    |      |
| Stock-based compensation   | ( C ) 13.7      |      | 12.5    |      |
| Acquisition / divestiture items  | ( D ) (1.5 )    |      | (3.0 )  |      |
| Executive transition costs   | ( E ) 0.9       |      | —       |      |
| Debt issuance cost write-off   | ( F ) —         |      | (0.1 )  |      |
| Non-GAAP tax adjustments   | ( G ) + (10.8 ) |      | (12.8 ) |      |
| Non-GAAP net income attributable to Trimble Navigation Limited                 | \$ 64.5         |      | \$ 72.7 |      |
| <b>DILUTED EARNINGS PER SHARE:</b>   |                 |      |         |      |
| GAAP diluted earnings per share attributable to Trimble Navigation Limited     | \$ 0.08         |      | \$ 0.13 |      |
| Restructuring charges  | ( A ) 0.01      |      | —       |      |
| Amortization of purchased intangible assets                                    | ( B ) 0.16      |      | 0.16    |      |
| Stock-based compensation   | ( C ) 0.05      |      | 0.05    |      |
| Acquisition / divestiture items  | ( D ) (0.01 )   |      | (0.01 ) |      |
| Executive transition costs   | ( E ) —         |      | —       |      |
| Debt issuance cost write-off   | ( F ) —         |      | —       |      |
| Non-GAAP tax adjustments   | ( G ) + (0.04 ) |      | (0.05 ) |      |
| Non-GAAP diluted earnings per share attributable to Trimble Navigation Limited | \$ 0.25         |      | \$ 0.28 |      |

A. Restructuring costs. Included in our GAAP presentation of cost of sales and operating expenses, restructuring costs recorded are primarily for employee compensation resulting from reductions in employee headcount in connection

with our company restructurings. We exclude restructuring costs from our non-GAAP measures because we believe they do not reflect expected future operating expenses, they are not indicative of our core operating performance, and they are not meaningful in comparisons to our past operating performance. We have incurred restructuring expense in each of the periods presented. However the amount incurred can vary significantly based on whether a restructuring has occurred in the period and the timing of headcount reductions.

Amortization of purchased intangible assets. Included in our GAAP presentation of gross margin and operating expenses is amortization of purchased intangible assets. US GAAP accounting requires that intangible assets are recorded at fair value and amortized over their useful lives. Consequently, the timing and size of our acquisitions will cause our operating results to vary from period to period, making a comparison to past performance difficult for investors. This accounting treatment may cause differences when comparing our results to companies that grow internally because the fair value assigned to the intangible assets acquired through acquisition may significantly exceed the equivalent expenses that a company may incur for similar efforts when performed internally. Furthermore, the useful life that we expense our intangible assets over may be substantially different from the time period that an internal growth company incurs and recognizes such expenses. We believe that by excluding the amortization of purchased intangible assets, which primarily represents

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technology and/or customer relationships already developed, it provides an alternative way for investors to compare our operations pre-acquisition to those post-acquisitions and to those of our competitors that have pursued internal growth strategies. However, we note that companies that grow internally will incur costs to develop intangible assets that will be expensed in the period incurred, which may make a direct comparison more difficult.

Stock-based compensation. Included in our GAAP presentation of cost of sales and operating expenses, stock-based compensation consists of expenses for employee stock options and awards and purchase rights under our employee C. stock purchase plan. We exclude stock-based compensation expense from our non-GAAP measures because some investors may view it as not reflective of our core operating performance as it is a non-cash expense. For the first quarter of fiscal 2016 and 2015, stock-based compensation was allocated as follows:

| (Dollars in millions)      | First Quarter<br>of |         |
|----------------------------|---------------------|---------|
|                            | 2016                | 2015    |
| Cost of sales              | \$ 1.0              | \$ 0.9  |
| Research and development   | 2.3                 | 2.2     |
| Sales and Marketing        | 2.0                 | 2.3     |
| General and administrative | 8.4                 | 7.1     |
|                            | \$ 13.7             | \$ 12.5 |

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

Executive transition costs. Included in our GAAP presentation of operating expenses are amounts paid to the Company's former CFO upon his departure under the terms of his executive severance agreement. We excluded E. these payments from our non-GAAP measures because they represent non-recurring expenses and are not indicative of our ongoing operating expenses. We further believe that excluding the executive transition costs from our non-GAAP results is useful to investors in that it allows for period-over-period comparability.

Debt issuance cost write-off. Included in our GAAP non-operating income (expense), net is the write-off of debt issuance costs for terminated and/or modified credit facilities and costs associated with the issuance of new credit F. facilities and Senior Notes in fiscal 2014 that were not capitalized as debt issuance costs. We excluded the debt issuance cost write-off from our non-GAAP measures. We believe that investors benefit from excluding this item from our non-operating income to facilitate a more meaningful evaluation of our non-operating income trends.

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

Difference in GAAP and Non-GAAP tax rate. This amount represents the difference between the GAAP and H. Non-GAAP tax rates applied to the Non-GAAP operating income plus the Non-GAAP non-operating income (expense), net.

I.

GAAP and non-GAAP tax rate %. These percentages are defined as GAAP income tax provision as a percentage of GAAP income before taxes and non-GAAP income tax provision as a percentage of non-GAAP income before taxes. We believe that investors benefit from a presentation of non-GAAP tax rate percentage as a way of facilitating a comparison to non-GAAP tax rates in prior periods.

#### Non-GAAP Operating Income

Non-GAAP operating income decreased by \$8.3 million for the first quarter of fiscal 2016, as compared to the corresponding period in fiscal 2015. Non-GAAP operating income as a percentage of total revenue was 15.1% for the first quarter of fiscal 2016, as compared to 16.6% for the corresponding period in fiscal 2015. The Non-GAAP operating income and Non-GAAP operating income percentage for the first quarter of fiscal 2016 decreased primarily due to revenue declines in Field Solutions and Advanced Devices and the impact of product mix and growth investments in Mobile Solutions.

Table of Contents**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

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

**Market Interest Rate Risk**

There have been no significant changes to our market interest rate risk assessment. Refer to our 2015 Annual Report on Form 10-K on page 52.

**Foreign Currency Exchange Rate Risk**

We operate in international markets, which expose us to market risk associated with foreign currency exchange rate fluctuations between the U.S. Dollar and various foreign currencies, the most significant of which is the Euro. Historically, the majority of our revenue contracts are denominated in U.S. Dollars, with the most significant exception being Europe, where we invoice primarily in Euros. Additionally, a portion of our expenses, primarily the cost to manufacture, cost of personnel to deliver technical support on our products and professional services, sales and sales support and research and development, are denominated in foreign currencies, primarily the Euro. Revenue resulting from selling in local currencies and costs incurred in local currencies are exposed to foreign currency exchange rate fluctuations which can affect our operating income. As exchange rates vary, operating income may differ from expectations. In the first quarter of fiscal 2016, revenue was negatively impacted by foreign currency exchange rates by \$7.0 million or 1% and the impact on operating income was immaterial.

We enter into foreign currency forward contracts to minimize the short-term impact of foreign currency exchange rate fluctuations on cash and certain trade and inter-company receivables and payables, primarily denominated in Swiss Franc, Euro, British pound and New Zealand and Canadian dollars. These contracts reduce the exposure to fluctuations in foreign currency exchange rate movements as the gains and losses associated with foreign currency balances are generally offset with the gains and losses on the forward contracts. These instruments are marked to market through earnings every period and generally range from one to two months in maturity. We do not enter into foreign currency forward contracts for trading purposes. We occasionally enter into foreign currency forward contracts to hedge the purchase price of some of our larger business acquisitions. Foreign currency forward contracts outstanding as of the end of the first quarter of fiscal 2016 and fiscal year end 2015 are summarized as follows (in millions):

|                    | First Quarter of<br>Fiscal 2016 |            | Fiscal Year End<br>2015 |            |
|--------------------|---------------------------------|------------|-------------------------|------------|
|                    | Nominal Amount                  | Fair Value | Nominal Amount          | Fair Value |
| Forward contracts: |                                 |            |                         |            |
| Purchased          | \$ (83.6 )                      | \$ 0.8     | \$ (86.5 )              | \$ 1.3     |
| Sold               | \$ 105.2                        | \$ (1.0 )  | \$ 88.1                 | \$ (0.5 )  |

**ITEM 4. CONTROLS AND PROCEDURES****(a) Disclosure Controls and Procedures.**

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

**(b) Internal Control Over Financial Reporting.**

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

**PART II. OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

On September 2, 2011 Research Data Services, LLC filed a lawsuit in the Superior Court for the State of Alaska in Anchorage

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against Trimble Navigation Limited, Cabela’s Incorporated, AT&T Mobility and Alascom, Inc., alleging breach of contract, breach of fiduciary duty, interference with contract, promissory estoppel, fraud, and negligent misrepresentation. The case was tried in front of a jury in Alaska beginning on September 9, 2014. On September 26, 2014, the jury returned a verdict in favor of the plaintiff and awarded the plaintiff damages of \$51.3 million. On January 29, 2015, the court granted our Motion for Judgment notwithstanding the Verdict, and on March 18, 2015, the Court awarded the Company a portion of its incurred attorneys’ fees and costs, and entered judgment in the Company’s favor in the amount of \$0.6 million. The judgment also provides that the plaintiff take nothing on its claims. On April 17, 2015, the plaintiff filed a Notice of Appeal to the Alaska Supreme Court. The parties have completed all appellate briefing, and oral arguments were heard before the Alaska Supreme Court on February 24, 2016. A decision by the Alaska Supreme Court has not been made.

On March 12, 2015, Rachel Thompson filed a putative class action complaint in California Superior Court against the Company, the members of its Board of Directors, and JP Morgan Chase Bank. The suit alleges that the Company’s Board of Directors breached their fiduciary obligations to the Company’s shareholders by entering into a credit agreement with JP Morgan Chase Bank that contains certain change of control provisions that plaintiff contends are disadvantageous to shareholders. The complaint seeks declaratory relief, injunctive relief, and costs of the action but does not seek monetary damages. The parties have reached a proposed settlement, which would modify one provision of the credit agreement and permit the named plaintiff to seek recovery of attorney’s fees. By order filed February 1, 2016, the Court granted preliminary approval of the proposed settlement, ordered that notice be provided to shareholders, and scheduled a hearing on June 10, 2016 to consider any objections to the settlement.

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

**ITEM 1A. RISK FACTORS**

A description of factors that could materially affect our business, financial condition, or operating results is included under “Risk and Uncertainties” in Item 1A of Part I of our 2015 Annual Report on Form 10-K and is incorporated herein by reference. There have been no material changes to the risk factor disclosure since our 2015 Annual Report on Form 10-K. The risk factors described in our Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial conditions and/or operating results.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

(a) None

(b) None

(c) The following table provides information relating to our purchases of equity securities for the first quarter of fiscal 2016.

|                                    | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program | Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program |     |
|------------------------------------|----------------------------------|------------------------------|--|--|-----|
| January 2, 2016 – February 5, 2016 | —                                | \$—                          | —  | \$249,922,586  | (1) |
| February 6, 2016 – March 4, 2016   | 52,553                           | \$21.11                      | 52,553   | \$248,813,054  |     |
| March 5, 2016 – April 1, 2016      | 450,397                          | \$24.68                      | 450,397  | \$237,698,813  |     |
| Total                              | 502,950                          |                              | 502,950  |  |     |

(1) In August 2015, the Company’s Board of Directors approved a stock repurchase program (2015 Stock Repurchase Program), authorizing the Company to repurchase up to \$400.0 million of Trimble’s common stock. The timing and amount of repurchase transactions will be determined by the Company’s management based on its evaluation of

market conditions, share price, legal requirements and other factors. The program may be suspended, modified or discontinued at any time without public notice.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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ITEM 6. EXHIBITS

We have filed, or incorporated into the Report by reference, the exhibits listed on the accompanying Index to Exhibits immediately following the signature page of this Form 10-Q.

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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/ Robert G. Painter  
Robert G. Painter  
Chief Financial Officer  
(Authorized Officer and Principal  
Financial Officer)

DATE: May 9, 2016

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EXHIBIT INDEX

|         |  |
|---------|--|
| .       |  |
| 3.1     | Restated Articles of Incorporation of the Company filed June 25, 1986. (2)   |
| 3.2     | Certificate of Amendment of Articles of Incorporation of the Company filed October 6, 1988. (2)  |
| 3.3     | Certificate of Amendment of Articles of Incorporation of the Company filed July 18, 1990. (2)  |
| 3.4     | Certificate of Amendment of Articles of Incorporation of the Company filed May 29, 2003. (3)   |
| 3.5     | Certificate of Amendment of Articles of Incorporation of the Company filed March 4, 2004. (4)  |
| 3.6     | Certificate of Amendment of Articles of Incorporation of the Company filed February 21, 2007. (6)  |
| 3.7     | Certificate of Amendment of Articles of Incorporation of the Company filed March 20, 2013. (7)   |
| 3.8     | Bylaws of the Company, amended and restated through May 2, 2016. (5)   |
| 4.1     | Specimen copy of certificate for shares of Common Stock of the Company. (1)  |
| 10.1    | First Amendment dated as of February 26, 2016 to the Five-Year Credit Agreement dated November 24, 2014 among the Company, the subsidiary borrowers from time to time party thereto, the lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent. (8) |
| 10.2    | Settlement Agreement and Release by and between Francois Delepine and the Company dated as of March 14, 2016. (8)  |
| 10.3    | Letter agreement for consulting services by and between Francois Delepine and the Company dated as of March 14, 2016. (8)  |
| 31.1    | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated May 9, 2016. (8)  |
| 31.2    | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated May 9, 2016. (8)  |
| 32.1    | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated May 9, 2016. (8)   |
| 32.2    | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated May 9, 2016. (8)   |
| 101.INS | XBRL Instance Document.  |
| 101.SCH | XBRL Taxonomy Extension Schema Document.   |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document.   |
| 101.DEF | XBRL Taxonomy Extension Definition Document.   |

101.LABXBRL Taxonomy Extension Label Linkbase Document.

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

- (1) Incorporated by reference to exhibit number 4.1 to the registrant's Registration Statement on Form S-1, as amended (File No. 33-35333), which became effective July 19, 1990.
- (2) Incorporated by reference to identically numbered exhibits to the registrant's Annual Report on Form 10-K for the fiscal year ended January 1, 1999.
- (3) Incorporated by reference to exhibit number 3.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended July 4, 2003.
- (4) Incorporated by reference to exhibit number 3.6 to the registrant's Quarterly Report on Form 10-Q for the quarter ended April 2, 2004.
- (5) Incorporated by reference to exhibit number 3.2 to the Company's Current Report on Form 8-K, filed March 22, 2016.
- (6) Incorporated by reference to exhibit number 3.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2007.
- (7) Incorporated by reference to exhibit number 3.1 to the Company's Current Report on Form 8-K, filed March 20, 2013.
- (8)Furnished or filed herewith.

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Stock options/SSARs (8)

3,469,312 3,469,312 0 n/a

Retirement plan payments (9)

271,256 271,256 105,233 (10) n/a

Deferred comp plan

0 0 0 n/a

Health and welfare benefits (11)

0 19,528 0 n/a

Outplacement

n/a 10,000 n/a n/a

**Total:**

4,561,902 5,421,430 105,233 n/a

**Stephen R. Sellhausen**

Cash severance (5)

n/a 775,000 n/a n/a

Cash performance award (6)

598,230 598,230 0 n/a

Performance share award (7)

223,104 223,104 0 n/a

Stock options/SSARs (8)

4,811,112 4,811,112 0 n/a

Retirement plan payments (9)

402,350 402,350 142,073 (10) n/a

Deferred comp plan

0 0 0 n/a

Health and welfare benefits (11)

0 21,671 0 n/a

Outplacement

n/a 10,000 n/a n/a

**Total:**

6,034,796 6,841,467 142,073 n/a

- (1) Messrs. Livingston and Spurgeon are eligible for early retirement. Accordingly, we have assumed that each would take early retirement rather than voluntary termination.
- (2) Dover anticipates allowing anyone eligible for Early Retirement under the Rule of 65 or 70 to take early retirement in the event of involuntary termination for awards under the 2005 and 2012 Plans. Accordingly, for Messrs. Livingston and Spurgeon, this column reflects the applicable early retirement treatment of their cash performance awards, performance shares, stock options and SSARs.
- (3) A named executive officer whose employment is terminated by us for cause will forfeit all outstanding cash and equity awards, whether or not vested or exercisable. The executive will receive a payment of amounts deferred and accrued in the deferred compensation plan but will forfeit benefits under the PRP in accordance with the PRP terms.
- (4) Under the 2005 and 2012 Plans, a named executive officer who has (i) at least 10 years of service with a Dover company and the sum of his or her age and years of service on the date of termination equals at least 65 or (ii) at least 15 years of service with a Dover company and the sum of his or her age and years of service on the date of termination equals at least 70, may take early retirement under the Rule of 65 or Rule of 70, respectively provided the executive complies with applicable notice and non-competition provisions.
- (5) Represents 12 month salary continuation plus an amount equal to the pro rata portion of the annual bonus paid for the prior year, subject to the Compensation Committee's discretion to reduce the payment amount, or in the case of Mr. Cerepak a pro rata portion of the target bonus for the year in which termination occurs.
- (6) Represents payout of the cash performance award for the performance period 2011-2013, assuming satisfaction of the applicable performance targets. Also includes for those NEOs eligible for Early Retirement under the Rule of 70, an assumed pro rata payout in February 2015 at the 100% level of the cash performance award for the three-year performance period 2012-2014, and an assumed pro rata payout in February 2016 at the 100% level of the cash performance award for the three-year performance period 2013-2015. This calculation assumes that the Compensation Committee approves payouts for the performance periods for the NEO.
- (7) Represents payout of the performance share award for the performance period 2011-2013. Also includes for those NEOs eligible for Early Retirement under the Rule of 70, assumed pro rata payouts of the performance share awards for the three year performance periods 2012-2014 and 2013-2015 at the actual performance level through December 31, 2013. This calculation assumes that the Compensation Committee approves payout for the performance periods for the NEO.
- (8) Reflects the value of vested options and SSARs as of December 31, 2013, which is the difference between the closing price of \$96.54 per share of our common stock on December 31, 2013, and the exercise price of each option and SSAR award multiplied by the number of shares covered by such award, plus, for the NEOs eligible for Early Retirement under the Rule of 70, the value of unvested options and SSARs that would vest within 36 months following the executive's retirement valued in the same manner.
- (9) Reflects benefits accrued under the PRP and pension plan as of December 31, 2013.
- (10) Reflects benefits accrued under the pension plan as of December 31, 2013. Benefits accrued under the PRP are forfeited in the event of a termination for cause as defined in the PRP.
- (11) Under the severance plan, an executive is entitled to a monthly amount equal to the then cost of COBRA health continuation coverage based on the level of health care coverage in effect on the termination date, if any, for the lesser of 12 months or the period that the executive receives COBRA benefits.

- (12) Reflects the value of unvested restricted stock awards as of December 31, 2013.
  
- (13) These amounts reflect compensation deferred by the executive and earnings accrued thereon under the deferred compensation plan as of December 31, 2013; no increase in such benefits would result from the termination event.



*Potential Payments in Connection with a Change-in-control (Without Termination)*

As discussed below, the payment of severance benefits following a change-in-control is subject to a double-trigger that is, such benefits are payable only upon certain specified termination events following a change-in-control. However, rights of an executive under the 2005 Plan, the 2012 Plan, the deferred compensation plan, the pension plan, the PRP and other incentive and benefit plans are governed by the terms of those plans and typically are effected by the change-in-control event itself, even if the executive continues to be employed by us or a successor company following the change-in-control.

All equity and cash performance awards outstanding as of December 31, 2013 were granted under the 2005 Plan or the 2012 Plan. Under the 2005 Plan, upon a change-in-control, all outstanding options and SSARs will immediately become exercisable in accordance with the terms of the appropriate stock option or SSAR agreement. All outstanding cash performance awards and performance share awards immediately vest and become immediately due and payable. The performance periods of all outstanding cash performance awards and performance share awards terminate on the last day of the month prior to the month in which the change-in-control occurs. The participant is entitled to a payment, the amount of which is determined in accordance with the plan and the relevant cash performance award or performance share award agreement, which is then prorated based on the portion of the performance period that the participant completed prior to the change-in-control.

Under the 2012 Plan, upon a change in control of Dover (as defined in the 2012 Plan) and if, within 18 months following the date of the change in control, the participant is either involuntarily terminated other than for cause, death or disability, such that the participant is no longer employed by a Dover company or an event or condition that constitutes good reason under the 2012 Plan occurs, and the participant subsequently resigns for good reason within applicable time limits and other applicable requirements under the 2012 Plan:

all options and SSARs immediately vest upon the date of termination and become exercisable in accordance with the terms of the applicable award agreement;

all cash performance and performance share awards will be deemed to have been earned at target as if the performance target had been achieved and such awards will immediately vest and become immediately due and payable on the date of termination; and

all outstanding restrictions, including any performance targets, on restricted stock or restricted stock unit awards will immediately vest or expire on the date of termination, and be deemed to have been satisfied or earned at target as if the performance targets, if any, have been achieved, and the award will become immediately due and payable on the date of termination.

In the event of a change in control in which a participant's outstanding awards are impaired in value or rights as determined solely in the discretion of Dover's continuing directors (as defined in the plan), are not assumed by a successor corporation or an affiliate thereof, or are not replaced with an award or grant that, solely in the discretion of the Dover's continuing directors, will preserve the existing value of the outstanding awards at the time of the change in control:

all outstanding options and SSARs will immediately vest on the date of the change in control and become exercisable in accordance with the terms of the applicable award agreement;

all outstanding performance share awards and cash performance awards will immediately vest and become due and payable on the date of the change in control as follows: the performance period of each such award will terminate on the last day of the month prior to the month in which the change in control occurs; the participant will be entitled to a cash or stock payment, the amount of which will be determined in accordance with the 2012 Plan and the applicable

award agreement prorated based on the number of months in the performance period which have passed prior to the change in control as compared to the total number of months in the original performance period; and

all outstanding restrictions, including any performance targets with respect to any options, SSARs, restricted stock or restricted stock unit awards will immediately vest or expire on the date of the change in control and be deemed to have been satisfied or earned at target as if the performance targets, if any, have been achieved and such awards will become immediately due and payable on the date of the change in control.

Each person granted an award under the 2005 Plan or 2012 Plan is deemed to agree that, upon a tender or exchange offer, proxy solicitation or other action seeking to effect a change-in-control of Dover, he or she will not voluntarily terminate employment with us or any of our companies and, unless terminated by us, will continue to render services to us until the person seeking to effect a change-in-control of our company has abandoned, terminated or succeeded in such person's efforts to effect the change-in-control.

Under the PRP, upon a change-in-control, each participant will become entitled to receive the actuarial value of the participant's benefit accrued through the date of the change-in-control. Under the deferred compensation plan, amounts deferred under the plan will continue to accrue any earnings and will be payable in accordance with the elections made by the executive officer.

The following table shows the aggregate potential equity values and potential payments under plans to which each of the continuing NEOs would have been entitled upon a change-in-control on December 31, 2013.

| NEO                      | Restricted                  |                              |              | Performance Share Awards (\$) | PRP and Pension Plan (\$) | Deferred Compensation Plan (\$) |
|--------------------------|-----------------------------|------------------------------|--------------|-------------------------------|---------------------------|---------------------------------|
|                          | Stock Options/SSARs (\$)(1) | Cash Performance Awards (\$) | Stock Awards |                               |                           |                                 |
| Robert A. Livingston     | 44,681,968                  | 3,624,078                    | 0            | 3,237,526                     | 13,502,909                | 0                               |
| Brad M. Cerepak          | 5,053,220                   | 1,090,696                    | 3,861,600    | 493,534                       | 363,566                   | 0                               |
| William W. Spurgeon, Jr. | 3,919,984                   | 1,878,578                    | 0            | 454,307                       | 4,383,752                 | 993,030                         |
| Jay L. Kloosterboer      | 4,997,798                   | 815,313                      | 0            | 340,716                       | 166,023                   | 0                               |
| Stephen R. Sellhausen    | 6,339,598                   | 815,313                      | 0            | 340,716                       | 260,277                   | 0                               |

(1) Reflects value of vested and unvested options and SSARs granted under the 2005 Plan; all SSARs granted under the 2012 are unvested; table assumes no acceleration of vesting of such awards upon a change of control per the Plan provisions described above.

***Potential Payments Upon Termination Following a Change-in-control***

Under the CIC severance plan, an NEO covered by the plan will be entitled to receive severance payments if, within 18 months after the change-in-control, either his employment is terminated by Dover without cause or the executive terminates employment for good reason, as such terms are defined in the plan. The severance payments will consist of:

A lump sum payment equal to 2.99 (2.0 for a termination date that occurs after December 31, 2015) multiplied by the sum of (i) the executive's annual salary on the termination date or the change-in-control date, whichever is higher, and (ii) his target annual incentive bonus for the year in which the termination or the date of the change-in-control occurs, whichever is higher; and

A lump sum payment equal to the then cost of COBRA health continuation coverage, based on the level of health care coverage in effect on the termination date, if any, for one year.

No executive may receive severance benefits under more than one plan or arrangement. If Dover determines that (i) any payment or distribution to an executive in connection with change-in-control, whether under the CIC severance plan or otherwise, would be subject to excise tax as an excess parachute payment under the Internal Revenue Code and (ii) the executive would receive a greater net-after-tax amount by reducing the amount of the severance payment, Dover will reduce the severance payments made under the CIC severance plan to the maximum amount that might be paid (but not less than zero) without the executive becoming subject to the excise tax. The CIC severance plan does not provide any gross-up for excise taxes.

The following table shows the potential payments and other benefits that each of the NEOs would have been entitled to receive upon involuntary or good reason termination following a change-in-control on December 31, 2013.

| NEO                     | Lump Sum Amount (\$) | Health and Welfare Benefits (\$) | Outplacement(\$) | Stock Options/ SSARs (S)(1) | Cash Performance Awards (\$)(2) | Performance          |           | 280G Tax Gross-Up /Cutback Amount (\$)(4) | Total (\$)(5) |
|-------------------------|----------------------|----------------------------------|------------------|-----------------------------|---------------------------------|----------------------|-----------|---|---------------|
|                         |                      |                                  |                  |                             |                                 | Share Awards (\$)(3) |           |   |               |
| Robert A. Livingston    | 6,391,125            | 22,697                           | 10,000           | 6,388,097                   | 650,000                         | 1,612,121            | 0         | 15,074,040                                |               |
| Brad M. Cerepak         | 3,467,800            | 21,956                           | 10,000           | 1,718,937                   | 175,000                         | 434,913              | 0         | 5,828,606                                 |               |
| William W. Spurgeon Jr. | 3,887,000            | 22,127                           | 10,000           | 618,209                     | 400,000                         | 201,479              | 0         | 5,138,815                                 |               |
| Jay L. Kloosterboer     | 2,414,425            | 19,528                           | 10,000           | 604,463                     | 240,000                         | 161,222              | (798,605) | 2,651,033                                 |               |
| Stephen R. Sellhausen   | 2,414,425            | 21,671                           | 10,000           | 604,463                     | 240,000                         | 161,222              | 0         | 3,451,781                                 |               |

- (1) Represents acceleration of vesting of SSAR awards granted under the 2012 Plan; SSARs and options granted under the 2005 Plan accelerate upon change of control whether or not there is a termination of employment and are covered in the table on page 69.
- (2) Represents awards granted under the 2012 Plan; the triggering event with respect to CPP awards granted under the 2005 Plan is the change of control; such awards are covered in the table on page 69.
- (3) Represents payout of performance share awards granted under the 2012 Plan at target; performance share awards granted under the 2005 Plan are covered in the table on page 69.
- (4) Under the CIC severance plan, NEOs change-in-control severance payments would be subject to a best net approach. Under this approach, if the executive would receive a greater net after-tax amount (taking into account all applicable taxes paid by the executive, including any excise tax under IRS Code Section 4999) by reducing severance payments to just below the 280G limit (as defined in IRS Code Section 280G), then severance payment would be capped below the limit. If not, the executive would receive the full severance and other parachute payments and would potentially incur an excise tax. Messrs. Livingston, Cerepak and Sellhausen would be better off receiving their full severance benefits without a cutback and paying the 280G excise tax. Mr. Kloosterboer would be better off having his severance benefits cut back to the 280G limit. Mr. Spurgeon would be below the 280G limit. The cutback amount shown in this column is a reduction in the amount payable under the CIC severance plan to the maximum amount payable without becoming subject to the 280G exercise tax in accordance with the CIC severance plan as described above.

- (5) For potential amounts payable upon a change-in-control under Dover's employee benefit plans, whether or not there is a termination of employment, including equity and cash performance awards under the 2005 Plan, see the table on page 69.

**SHAREHOLDER PROPOSALS FOR 2015 ANNUAL MEETING**

In order for shareholder proposals to be included in our proxy statement for the 2015 Annual Meeting, we must receive them at our principal executive offices, 3005 Highland Parkway, Downers Grove, Illinois, 60515, by November , 2014. All other shareholder proposals, including nominations for directors, in order to be voted on at the 2015 Annual Meeting, must be received by us not earlier than January 1, 2015, and not later than January 31, 2015 being, respectively, 120 days and 90 days prior to the date of the first anniversary of the 2014 Annual Meeting of Shareholders.

Dated: March , 2014

By authority of the Board of Directors,

IVONNE M. CABRERA

*Secretary*

**DOVER CORPORATION****EXECUTIVE OFFICER ANNUAL INCENTIVE PLAN****(Amended and Restated as of January 1, 2009)**

1. **Purpose.** The purposes of the Dover Corporation Executive Officer Annual Incentive Plan (the **Plan** ) are to provide annual incentive compensation to designated executive officers of Dover Corporation (the **Company** ) based on the achievement of established performance targets, to encourage such executive officers to remain in the employ of the Company, to assist the Company in attracting and motivating new executive officers and to qualify the incentive payments awarded under the Plan (the **Awards** ) as qualified performance-based compensation so that payments under the Plan shall be deductible in accordance with Section 162(m) of the Internal Revenue Code of 1986, as amended (the **Code** ).
2. **Eligibility.** The Compensation Committee of the Board of Directors of the Company (the **Committee** ) shall each year determine the Executive Officers of the Company eligible to participate in the Plan (the **Participants** ). For purposes hereof, **Executive Officers** shall mean the Chief Executive Officer and the Chief Operating Officer of the Company, each executive of the Company or an Affiliate who reports directly to the Chief Executive Officer or the Chief Operating Officer of the Company, and any other executive of the Company or an Affiliate as may be selected by the Committee or who is an executive officer of the Company within the meaning of Rule 3b-7 under the Securities Exchange Act of 1934. As used herein, **Affiliate** shall mean each corporation that is a member of the Company's affiliated group, within the meaning of Section 1504 of the Code (without regard to Section 1504(b) of the Code) other than any subsidiary of the Company that is itself a publicly held corporation as such term is defined in Section 162(m) of the Code and the Treasury regulations issued thereunder and any subsidiaries of such publicly held corporation subsidiary.
3. **Performance Periods.** Each performance period for purposes of the Plan shall have a duration of one calendar year, commencing January 1 and ending the next December 31 ( **Performance Period** ).
4. **Administration.** The Committee shall have the full power and authority to administer and interpret the Plan and to establish rules for its administration including, without limitation, correcting any defect, supplying any omission or reconciling any inconsistency in this Plan in the manner and to the extent it shall deem necessary to carry this Plan into effect. Unless otherwise specified by the Committee at the time of grant, all Awards are intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code ( **Qualified Performance Awards** ). The Committee retains the discretion to grant Awards that are not intended to qualify as Qualified Performance Awards, to determine the terms and conditions of such Awards and adjust or prorate such Awards. All decisions of the Committee on any question concerning the selection of Participants and the interpretation and administration of the Plan shall be final, conclusive, and binding upon all parties.
5. **Performance Targets.** On or before the 90th day of each Performance Period (provided that the outcome is substantially uncertain at the time the Committee establishes the targets), the Committee shall establish in writing one or more performance targets ( **Performance Targets** ) for the Performance Period. The Performance Targets shall in all instances be determined on the basis of the one or more of the following performance criteria as they apply to the Company as a whole or to a subsidiary, a division, or business unit: (a) earnings before interest, taxes, depreciation and amortization, (b) cash flow, (c) earnings per share, (d) operating earnings, (e) return on equity, (f) return on investment, (g) total shareholder return or internal total shareholder return, (h) net earnings, (i) sales or revenue, (j) expense targets, (k) targets with respect to the value of common stock, (l) margins, (m) pre-tax or after-tax net income, (n) market penetration, (o) geographic goals, (p) business expansion goals, or (q) goals based on operational

efficiency.

**6. Incentive Payout Calculation.** As soon as practicable after the end of each Performance Period, the Committee shall make a determination in writing with regard to the attainment of the Company's Performance

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Targets specified pursuant to Section 5 for such Performance Period and shall calculate the possible payout of incentive awards for each Participant.

**7. Reduction Of Calculated Payouts.** The Committee shall have the power and authority to reduce or eliminate for any reason the payout calculated pursuant to Section 6 that would otherwise be payable to a Participant based on the established target Award and payout schedule, provided, however, that the exercise of discretion to reduce or eliminate the payout to one Participant may not result in an increase in the amount payable to another Participant.

**8. Payouts.** Qualified Performance Awards shall not be paid before the Committee certifies in writing that the Performance Targets specified pursuant to Section 5 have been satisfied. No portion of a Qualified Performance Award may be paid if the Performance Targets have not been satisfied. Notwithstanding the forgoing, the Committee may, in its sole and absolute discretion, permit the payment of Qualified Performance Awards with respect to a Performance Period in the case of death or disability of the Participant or a change in ownership or control of the Company (within the meaning of Section 280G of the Code) during such Performance Period without regard to actual achievement of the Performance Targets and whether or not payment of such Awards would be deductible under Section 162(m) of the Code but only if such payment would not cause Awards made under the Plan to fail to be qualified performance-based compensation under Section 162(m) of the Code and Treasury regulations issued thereunder. The Committee may, in its sole and absolute discretion, permit the payment of Awards which are not Qualified Performance Awards without regard to actual achievement of the Performance Targets. In no event shall the payout under the Plan to any Participant for any Performance Period exceed \$5 million. Payment of the Award determined in accordance with the Plan for each Performance Period shall be made to a Participant in cash within two and one-half (2 ½) months following the Performance Period.

**9. Miscellaneous Provisions.**

(a) The Board of Directors of the Company shall have the right to suspend or terminate the Plan at any time and may amend or modify the Plan with respect to future Performance Periods prior to the beginning of any Performance Period, provided that no such amendment or modification which is expected to materially increase benefits payable to Participants under the Plan who are covered employees within the meaning of Section 162(m) of the Code ( **Covered Employees** ) shall be made unless such measures as the Committee deems necessary for the increased benefit to be deductible as qualified performance-based compensation pursuant to Section 162(m) of the Code have been taken.

(b) Nothing contained in the Plan or any agreement related hereto shall affect or be construed as affecting the terms of the employment of any Participant except as specifically provided herein or therein. Nothing contained in the Plan or any agreement related hereto shall impose or be construed as imposing any obligation on (i) the Company or any Affiliate to continue the employment of any Participant or (ii) any Participant to remain in the employ of the Company or any Affiliate. The Company reserves the right to make bonus or other incentive awards to Participants under other plans maintained by the Company or otherwise as determined by the Company in its sole discretion, which other plans or arrangements need not be intended to meet the requirements of Section 162(m) of the Code.

(c) No person shall have any claim to be granted an Award under the Plan and there is no obligation of uniformity of treatment of eligible employees under the Plan. Awards under the Plan may not be assigned or alienated.

(d) The Company or Affiliate, as applicable, shall have the right to deduct from any Award to be paid under the Plan any federal, state or local taxes required by law to be withheld with respect to such payment.



(e) If any provision of the Plan or an Award would cause the Awards granted to a Covered Employee not to be qualified performance-based compensation under Section 162(m) of the Code, that provision, insofar as it pertains to such Covered Employee, shall be severed from, and shall be deemed not to be a part of, the Plan or an Award, but the other provisions hereof shall remain in full force and effect.

(f) It is intended that the Awards granted under the Plan shall be exempt from, or in compliance with, Section 409A of the Code. In the event any of the Awards issued under the Plan are subject to Section 409A of the Code, it is intended that no payment or entitlement pursuant to this Plan will give rise to any adverse tax consequences to a Participant under Section 409A of the Code. The Plan shall be interpreted to that end and, consistent with that objective and notwithstanding any provision herein to the contrary, the Company may unilaterally take any action it deems necessary or desirable to amend any provision herein to avoid the application of, or excise tax under, Section 409A of the Code provided that such action is consistent with the requirements of Section 162(m) of the Code. Neither the Company nor its current or former employees, officers, directors, representatives or agents shall have any liability to any current or former Participant with respect to any accelerated taxation, additional taxes, penalties, or interest for which any current or former Participant may become liable in the event that any amounts payable under the Plan are determined to violate Section 409A.

(g) Notwithstanding anything herein to the contrary, to the extent required by Section 409A of the Code and Treasury regulations, upon a termination of employment (other than as a result of death) of a person determined by the Board of Directors of the Company (or a committee of the Board of Directors as such body shall delegate) to be a specified employee (within the meaning of Section 409A of the Code), distributions determined, in whole or in part, to constitute nonqualified deferred compensation within the meaning of Section 409A of the Code shall be delayed until six months after such termination of employment if such termination constitutes a separation from service (within the meaning of Section 409A(a)(2)(A)(i) of the Code and the Treasury regulations issued thereunder) and such distribution shall be made at the beginning of the seventh month following the date of the specified employee's termination of employment.

**10. Adoption.** The Plan initially became effective as of January 1, 1998 subject to approval by the shareholders of the Company which was obtained on April 28, 1998. The Plan was subsequently re-approved by the Company shareholders on April 2, 2003 and May 1, 2008, and was amended and restated in its entirety effective January 1, 2009 to comply with the provisions of Sections 409A and 162(m) of the Code and applicable guidance issued by the Treasury Department and the Internal Revenue Service. For the period from January 1, 2005 to December 31, 2008, the Plan was administered in good faith compliance with Section 409A of the Code and applicable guidance issued by the Treasury Department and the Internal Revenue Service. The Plan is hereby further amended and restated in its entirety effective January 1, 2009, subject to approval by the shareholders at the May 7, 2009 shareholders meeting.

**PROPOSED AMENDMENT TO ARTICLE FOURTEENTH OF RESTATED CERTIFICATE OF  
INCORPORATION TO ELIMINATE THE SUPERMAJORITY VOTING REQUIREMENTS**

**EXPLAINED IN PROPOSAL FIVE**

(matter to be deleted is stricken; matter to be added is underlined)

FOURTEENTH: (A) In addition to any affirmative vote required by law or under any other provision of this Certificate of Incorporation, and except as otherwise expressly provided in Paragraph (B), any Business Combination with respect to a Related Person shall require the affirmative vote of the holders of at least a majority ~~80%~~ of the outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors, considered for the purpose of this Article Fourteenth as one class ( Voting Shares ). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that some lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

(B) The provisions of Paragraph (A) of this Article Fourteenth shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provision of this Certificate of Incorporation if:

(1) A definitive agreement or other arrangement to effectuate the Business Combination was approved by a majority of the directors of the corporation at a time when the Related Person who is a party to the Business Combination did not beneficially own, directly or indirectly, ~~5%~~ or more of the outstanding shares of capital stock of the corporation; or

(2) Such Business Combination has been approved by a majority of the Continuing Directors; or

(3) All of the following conditions shall have been satisfied:

(a) The aggregate amount of the cash and the fair market value (as of the date of the consummation of the Business Combination) of other consideration to be received per share by holders of the common stock of the corporation ( Common Stock ) in such Business Combination is no less than the higher of:

(i) the price per share equal to the Market Price of Common Stock immediately prior to the announcement of such Business Combination, multiplied by the ratio of (a) the highest per share price (including brokerage commissions, transfer taxes and soliciting dealers fees) which the Related Person has theretofore paid for any of the shares of Common Stock already owned by it, to (b) the Market Price of the Common Stock immediately prior to the commencement of acquisition of Common Stock by such Related Person; or

(ii) the highest per share price (including brokerage commission, transfer taxes and soliciting dealers fees) paid by such Related Person for any shares of Common Stock acquired by it;

provided, however, that, as used in the foregoing calculations, all prices per share shall be adjusted to reflect any subsequent stock splits, stock dividends, or other similar corporate actions.

(b) The aggregate amount of the cash and the fair market value (as of the date of consummation of the Business Combination) of other consideration to be received per share by holders of the preferred stock of the corporation ( Preferred Stock ) in such Business Combination is no less than the highest of:

(i) the price per share equal to the Market Price of Preferred Stock immediately prior to the announcement of such Business Combination, multiplied by the ratio of (a) a highest per share price (including brokerage commissions, transfer taxes and soliciting dealers' fees) which the Related Person has theretofore paid

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for any of the shares of Preferred Stock already owned by it, to (b) the Market Price of the Preferred Stock immediately prior to the commencement of acquisition of Preferred Stock by such Related Person; or

(ii) the highest per share price (including brokerage commissions, transfer taxes and soliciting dealers' fees) paid by such Related Person for any shares of Preferred Stock acquired by it; or

(iii) the highest preferential amount per share to which the holders of shares of such class of Preferred Stock would be entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the corporation, regardless of whether the Business Combination to be consummated constitutes such an event;

provided, however, that, as used in the foregoing calculations, all prices per share shall be adjusted to reflect any subsequent stock splits, stock dividends or other similar corporate actions.

The provisions of this subsection (3)(b) shall apply with respect to every class of outstanding Preferred Stock, whether or not the Related Person has previously acquired any such Preferred Stock.

(c) The consideration to be received by holders of a particular class of outstanding Voting Shares in such Business Combination shall be in the same form and of the same kind as the consideration paid by the Related Person in acquiring the shares of such class of Voting Shares already owned by it. If the Related Person has purchased shares of any class of Voting Shares with varying forms of consideration, the form of consideration for such class of Voting Shares to be paid in the Business Combination shall be either cash or the form previously used by such Related Person to acquire the largest number of shares of such class of Voting Shares.

(d) After such Related Person has acquired ownership of not less than 15% of the then outstanding Voting Shares (a 15% Interest ) and prior to the consummation of such Business Combination:

(i) the Related Person shall have taken steps to ensure that the corporation's Board of Directors has included at all times representation by Continuing Director(s) proportionate to the ratio that the Voting Shares which from time to time are owned by Public Holders bear to all Voting Shares outstanding at such respective times (with a Continuing Director to occupy any resulting fractional Board position);

(ii) except as approved by a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor any full dividends (whether cumulative or not) on the outstanding Preferred Stock;

(iii) there shall have been no reduction in the rate of dividends payable on the Common Stock except as necessary to ensure that a quarterly dividend payment does not exceed 8.75% of the net income of the corporation for the four full consecutive fiscal quarters immediately preceding the declaration date of such dividend, or except as may have been approved by a majority of the Continuing Directors;

(iv) such Related Person shall not have become the beneficial owner of any newly issued shares of stock, directly or indirectly, from the corporation except upon conversion of convertible securities acquired by it prior to obtaining a 15% Interest or as a result of a pro rata stock dividend or stock split or except as may have been approved by a majority of the Continuing Directors.

(v) such Related Person shall not have become the beneficial owner of any additional Voting Shares or securities convertible into or exchangeable for Voting Shares except as a part of the transaction which resulted in such Related Person acquiring its 15% Interest; and



(vi) such Related Person shall not have (A) received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges, or other financial assistance, or tax credits or other tax advantages provided by the corporation, (B) made any major change in the corporation's business or equity capital structure without the unanimous approval of the Continuing Directors, or (C) used any asset of the corporation as collateral, or compensating balances, directly or indirectly, for any obligation of such Related Person.

(e) a proxy or information statement responsive to the requirements the Securities Exchange Act of 1934 shall have been mailed to all holders of Voting Shares at least 30 days prior to the consummation of such Business Combination. Such proxy statement shall contain:

(i) at the front thereof, in a prominent place, any recommendations as to the advisability (or inadvisability) of the Business Combination which the Continuing Directors, or any of them, may have furnished in writing; and

(ii) if deemed advisable by a majority of the Continuing Directors, an opinion of a reputable investment banking or appraisal firm as to the fairness (or lack of fairness) of the terms of such Business Combination, from the point of view of the Public Holders (such investment banking or appraisal firm to be selected by a majority of the Continuing Directors, to be a firm which has not previously been associated with or rendered services to or acted as manager of an underwriting or as agent for a Related Person, to be furnished with all information it reasonably requests and to be paid a reasonable fee for its services upon receipt by the corporation of such opinion).

(C) For the purposes of this Article Fourteenth:

(1) A person shall mean any individual, firm, corporation or other entity.

(2) The term Business Combination shall mean:

(i) any merger or consolidation of the corporation or any Subsidiary with or into (A) any Related Person or (B) any other corporation (whether or not itself a Related Person) which, after such merger or consolidation, would be an Affiliate of a Related Person; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to, by or with any Related Person of any assets of or to the corporation or any Subsidiary having an aggregate fair market value of \$1,000,000 or more; or

(iii) the issuance or transfer by the corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the corporation or any Subsidiary to any Related Person in exchange for cash, securities or other property (or a combination thereof); or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the corporation proposed by or on behalf of a Related Person; or

(v) any reclassification of securities (including any reverse stock split), recapitalization, reorganization, merger, or consolidation of the corporation with any of its subsidiaries, or any other transaction (whether or not with or into or otherwise involving a Related Person) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the corporation or any Subsidiary which is directly or indirectly owned by any Related Person; or

(vi) any agreement, contract or other arrangement providing for any of the transactions described herein.



(3) **Related Person** shall mean any person (other than the corporation or any Subsidiary; and other than any profit-sharing, employee stock ownership, or other employee benefit plan of the corporation or any Subsidiary, or any trustee of or fiduciary with respect to any such plan when acting in such capacity) who or which:

(a) is the beneficial owner, directly or indirectly, of not less than 15% of the Voting Shares; or

(b) is an Affiliate of the corporation and at any time within two years prior thereto was the beneficial owner, directly or indirectly, of not less than 15% of the then outstanding Voting Shares; or

(c) is an assignee of or has otherwise succeeded to any shares of capital stock of the corporation which were at any time within two years prior to thereto beneficially owned by any Related Person, and such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(4) A person shall be the **beneficial owner** of any Voting Shares:

(a) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially own, directly or indirectly; or

(b) which such person or any of its Affiliates or Associates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants, or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding; or

(c) which are beneficially owned, directly or indirectly, by any other person with which such first mentioned person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of capital stock of the corporation.

(5) **Public Holders** shall mean those holders of Voting Shares of the corporation who are not Related Persons.

(6) The outstanding Voting Shares shall include shares deemed owned through application of Section (4) above but shall not include any other Voting Shares which may be issuable pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise.

(7) **Continuing Director** shall mean a member of the Board of Directors of the corporation who was first elected or appointed to the Board prior to the date as of which any Related Person became a Related Person and any successor to a Continuing Director who is unaffiliated with such Related Person and who was recommended or elected to succeed a Continuing Director by a majority of the then Continuing Directors.

(8) In the event of any Business Combination in which the corporation survives, the phrase **other consideration to be received** as used in sections (3)(a) and (b) of Paragraph (B) shall include the Voting Shares of the corporation retained by its Public Holders.

(9) **Affiliate** and **Associate** shall have their respective meanings given those terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1983.

(10) **Subsidiary** shall mean any corporation of which a majority of any class of equity security (as defined in Rule 3a11-1 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1983) is owned, directly or indirectly, by the corporation; provided, however, that for the purposes of the definition of a Related Person set forth in Section (3) of this Paragraph (C), the term **Subsidiary**



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shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the corporation.

(11) **Market Price** shall mean, with respect to any class of stock, the highest closing sale price, during the 30-day period immediately preceding the date in question, of a share of such stock on the New York Stock Exchange; or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed; or, if such stock is not listed on any such exchange, the highest closing bid quotation, during the 30-day period immediately preceding the date in question, of a share of such stock on the National Association of Securities Dealers, Inc. Automated Quotations System or any such system then in use; or, if no such quotations are available, the fair market value on the date in question of a share of such stock as determined in good faith by a majority of the Continuing Directors.

(D) A majority of the Continuing Directors shall have the power and duty to determine for the purposes of this Article Fourteenth on the basis of information known to them:

(a) the number of Voting Shares beneficially owned by any person,

(b) whether a person is an Affiliate or Associate of another,

(c) whether a person has an agreement, arrangement or understanding with another as to the matters referred to in sections (4)(b) and (c) of paragraph (C), and

(d) whether the assets subject to any Business Combination have an aggregate fair market value of \$1,000,000 or more.

~~(E) Notwithstanding any other provisions of this Certificate of Incorporation or the By laws of the corporation to the contrary (and notwithstanding the fact that a lesser percentage may be specified by law, this certificate of Incorporation or the By laws of the corporation), any amendment, alteration, change or repeal of this Article Fourteenth of this Certificate of Incorporation shall require the affirmative vote of the holders of at least 80% of the then outstanding Voting shares; provided, however, that this Paragraph (E) shall not apply to, and such 80% vote shall not be required for, any amendment, alteration, change or repeal recommended to the stockholders by the majority vote of the Continuing Directors or, in the event there is no Related Person at the time such amendment, alteration, change, or repeal is under consideration, by the majority vote of the Board of Directors.~~

~~(E)F~~ Nothing contained in this Article Fourteenth shall be construed to relieve any Related Person from any fiduciary obligation imposed by law.

**PROPOSED AMENDMENT TO ARTICLE FIFTEENTH OF RESTATED CERTIFICATE OF  
INCORPORATION TO ELIMINATE THE SUPERMAJORITY VOTING REQUIREMENTS**

**EXPLAINED IN PROPOSAL SIX**

(matter to be deleted is stricken)

FIFTEENTH: (A)(1) Except as otherwise expressly provided in paragraph (A)(2) below, any purchase by the corporation, or any subsidiary of the corporation, of Voting Shares (as hereinafter defined) from a person or persons known by the corporation to be an Interested Stockholder (as hereinafter defined) at a per share price in excess of the Market Price (as hereinafter defined) at the time of such purchase of the shares so purchased, shall require the affirmative vote of not less than a majority of the votes entitled to be cast by the holders of all then outstanding Voting Shares not beneficially owned by the Interested Stockholder, voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage or separate class vote may be specified, by law or in any agreement with any national securities exchange or otherwise.

(2) The provisions of Paragraph (A)(1) of this Article Fifteenth shall not be applicable to any purchase of Voting Shares, if such purchase is pursuant to (i) an offer, made available on the same terms, to the holders of all of the outstanding shares of the same class of those purchased or (ii) a purchase program effected on the open market and not the result of a privately-negotiated transaction.

(B)(1) In the event that there shall exist a Substantial Stockholder (as hereinafter defined) of the corporation and such existence shall be known or made known to the corporation in advance of a meeting of stockholders at which directors will be elected, each holder of Voting Shares shall be entitled, in connection with any vote taken for such election of directors, to as many votes as shall equal the number of votes which (except for this provision as to cumulative voting) such stockholder would be entitled to cast for the election of directors with respect to such stockholder's Voting Shares multiplied by the number of directors to be elected, and such stockholder may cast all of such votes for a single director, may distribute them among the number of directors to be voted for, or for any two or more of them as such stockholder may see fit.

(2) In connection with any election of directors in which stockholders are entitled to cumulative voting:

(a) The Board of Directors shall appoint a committee (the Committee) consisting of three Directors.

(b) The Committee shall send to all stockholders of the corporation entitled to vote in the election of directors at least 90 days in advance of such election a written notice informing stockholders (i) that the cumulative voting provisions of this Article will be in effect, (ii) that persons meeting the eligibility requirements of subparagraph (B)(2)(c) may submit nominations to the Committee, if such nominations are received at least 60 days in advance of the election and contain relevant information concerning the nominee, including all information required to be included in a proxy statement under the Securities and Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations), and the nominee's consent to be nominated, and (iii) as to the time, place and date of the meeting at which such election will be held.

(c) The Committee will review all nominees, and the corporation's proxy materials being prepared in connection with such meeting will include information relating to, and afford stockholders the opportunity to vote for, all nominees who are included by the Committee in the corporation's proxy materials. The Committee shall be required to include in such proxy materials at least one nominee of each stockholder or group of stockholders who beneficially own Voting

Shares with a Market Price (as herein defined) of at least \$250,000 at the time notice of such meeting is sent to stockholders and who submit the information required with respect to

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such nominee under subparagraph (B)(2)(b). The Committee may include more than one nominee of such person or persons, provided that the number of nominees included by the Committee which are submitted by any one person or group of persons may not exceed the number of directors to be elected at such a meeting.

(d) The corporation's proxy statement and other communications with respect to the election shall contain, on an equal basis and at the expense of the corporation, descriptions and other statements of or with respect to all nominees for election which qualify under the procedures set forth in this Article.

(3) If necessary to assure that the provisions of this Paragraph (B) are fairly applied and complied with, the Board of Directors may postpone any meeting of stockholders to which this Article would apply for such period of time as shall be necessary to permit the Committee to perform its responsibilities hereunder.

(4) Notwithstanding any other provision which may be contained from time to time in this Certificate of Incorporation or the by-laws of the corporation concerning the manner in which the size of the Board of Directors of the corporation may be established or changed, in the event that a person becomes a Substantial Stockholder, the number of directors at the time such person becomes a Substantial Stockholder shall remain fixed and may not be changed by the Board of Directors or the stockholders until such time as such person is no longer a Substantial Stockholder.

(C) For purposes of this Article Fifteenth:

(1) Interested Stockholder shall mean any person (other than the corporation or any Subsidiary; and other than any profit sharing, employee stock ownership, or other employee benefit plan of the corporation or any subsidiary, or any trustee of or fiduciary with respect to any such plan when acting in such capacity) who or which:

(a) is the beneficial owner, directly or indirectly, of not less than 5% of the Voting Shares and has been such a beneficial owner for less than four years; or

(b) is an Affiliate of the corporation and at any time within two years prior thereto was the beneficial owner, directly or indirectly, for a period of less than four years of not less than 5% of the then outstanding Voting Shares; or

(c) is an assignee of or has otherwise succeeded to any shares of capital stock of the corporation which were at any time within two years prior thereto beneficially owned by any Interested Stockholder and such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(2) The term Substantial Stockholder shall mean any person (other than the corporation or any Subsidiary; and other than any profit sharing, employee stock ownership or other employee benefit plan of the corporation or any subsidiary, or any trustee of or fiduciary with respect to any such plan when acting in such capacity) who or which is the beneficial owner, directly or indirectly, of not less than 40% of the Voting Shares.

(3) For the purpose of determining whether a person is an Interested Stockholder or a Substantial Stockholder, the number of Voting Shares deemed to be outstanding shall include shares deemed beneficially owned by such person through application of subparagraph (4) of Paragraph (C) of Article Fourteenth, but shall not include any other Voting Shares that may be issuable pursuant to any agreement, or upon exercise of conversion rights, warranties or options, or otherwise.

(4) For purposes of this Article Fifteenth, the terms Voting Shares, beneficial owner, person, Affiliate, Associate, Subsidiary, and Market Price shall have the meanings set forth in Article Fourteenth of this Certificate of Incorporation, except that Market Price shall mean the last closing sale price or

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the last closing bid quotation immediately preceding the date in question instead of the highest closing sale price or the highest closing bid quotation during the 30-day period immediately preceding the date in question; and

(D) The Board of Directors shall have the power and the duty to determine for the purposes of this Article Fifteenth (a) whether the provisions of the Article are applicable to a particular transaction, (b) whether a person is an Interested Stockholder or a Substantial Stockholder, (c) the number of Voting Shares or other securities beneficially owned by any person, (d) whether a person is an Affiliate or Associate of another, (e) what the Market Price is and whether a price is above the Market Price as of a given date, and (f) whether any person nominating directors in accordance with Paragraph B.2. beneficially owns Voting Shares with an aggregate Market Price of at least \$250,000.

~~(E) Notwithstanding any other provisions of this Certificate of Incorporation or the By laws of the corporation to the contrary (and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the by laws of the corporation), any amendment, alteration, change or repeal of this Article Fifteenth of this Certificate of Incorporation shall require the affirmative vote of the holders of at least 80% of the then outstanding Voting Shares; provided, however, that this Paragraph E shall not apply to and such 80% vote shall not be required for, any amendment, alteration, change or repeal recommended to the stockholders by the majority vote of the Board of Directors and at the time such amendment, alteration, change or repeal is under consideration there is, to the knowledge of the Board of Directors, neither an Interested Stockholder nor a Substantial Stockholder.~~

**PROPOSED AMENDMENT TO ARTICLE SIXTEENTH OF RESTATED CERTIFICATE OF  
INCORPORATION TO ELIMINATE THE SUPERMAJORITY VOTING REQUIREMENTS  
EXPLAINED IN PROPOSAL SEVEN**

(matter to be deleted is stricken)

SIXTEENTH: No action required to be taken or which may be taken at any annual or special meeting of stockholders of the corporation may be taken without a meeting, and the power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

~~Notwithstanding any other provisions of this Certificate of Incorporation or the By laws of the corporation to the contrary (and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the By laws of the corporation), any amendment, alternation, change or repeal of this Article Sixteenth of this Certificate of Incorporation shall require the affirmative vote of the holders of at least 80% of the then outstanding Voting Shares; provided, however, that such 80% vote of the then outstanding vote shall not required for, any amendment, alteration, change or repeal recommended to the stockholders by the majority vote of the Board of Directors and at the time such amendment, alteration, change or repeal is under consideration there is, to the knowledge of the Board of Directors, neither an Interested Stockholder nor a Substantial Stockholder.~~

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**PROPOSED AMENDMENT OF BY-LAWS TO ALLOW STOCKHOLDERS**

**TO CALL SPECIAL MEETINGS AS DESCRIBED IN PROPOSAL EIGHT**

(matter to be deleted is stricken; matter to be added is underlined)

3. Special meetings of stockholders.

(a) Special meetings of stockholders may be called at any time ~~but only~~ by order of the Board of Directors or the Executive Committee (if one shall have been appointed). ~~Notice or, in accordance with subsection (b), by the Secretary. Unless otherwise provided by law, notice of all such special meetings of the stockholders, stating the time, date, place, and the purposes thereof shall be given by mail as soon as possible to each stockholder entitled to vote thereat at his or her last known address, by electronic transmission as soon as possible in a form consented to by the stockholder to whom the notice is given in accordance with applicable law, or by delivering the same personally, not more than sixty days or less than at least ten days before the date of the meeting. Meetings of the stockholders may be held at any time without notice when all of the stockholders entitled to vote thereat are represented in person or by proxy.~~

(b) A special meeting of stockholders shall be called by the Secretary upon written request (a Special Meeting Request ) of one or more record holders of shares of stock of the corporation representing not less than 25% of the voting power of all outstanding shares of stock of the corporation (the Requisite Percentage ) who have complied in full with the requirements set forth in these By-Laws. For purposes of this Section 3(b) and for determining the Requisite Percentage, a stockholder of record or a beneficial owner, as the case may be, shall be deemed to own the shares of stock of the corporation that such stockholder or, if such stockholder is a nominee, custodian or other agent that is holding the shares on behalf of another person (the beneficial owner ), that such beneficial owner would be deemed to own pursuant to Rule 200(b) under the Securities Exchange Act of 1934, as amended, excluding any shares as to which such stockholder or beneficial owner, as the case may be, does not have the right to vote or direct the vote at the special meeting or as to which such stockholder or beneficial owner, as the case may be, has entered into a derivative or other agreement, arrangement or understanding that hedges or transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of such shares. The Board of Directors shall determine in good faith whether all requirements set forth in this Section 3(b) have been satisfied and such determination shall be binding on the corporation and its stockholders.

(i) A Special Meeting Request must be delivered by hand or by registered U.S. mail, postage prepaid, return receipt requested, or courier service, postage prepaid, to the attention of the Secretary at the principal executive offices of the corporation. A Special Meeting Request shall be valid only if it is signed and dated by each stockholder of record submitting the Special Meeting Request and the beneficial owners, if any, on whose behalf the Special Meeting Request is being made, or such stockholder s or beneficial owner s duly authorized agent (each, a Requesting Stockholder ) collectively representing the Requisite Percentage, and includes (A) a statement of the specific purpose(s) of the special meeting and the reasons for conducting such business at the special meeting; (B) in the case of any director nominations proposed to be presented at the special meeting, and any matter (other than a director nomination) proposed to be conducted at the special meeting and as to each Requesting Stockholder, the information required by Section 4(A)(2) of this Article II; (C) a representation that each Requesting Stockholder, or one or more representatives of each such stockholder, intends to appear in person or by proxy at the special meeting to present the proposal(s) or business to be brought before the special meeting; (D) an agreement by the Requesting Stockholders to notify the corporation promptly in the event of any disposition prior to the record date for the special meeting of shares of the corporation owned beneficially or of record and an acknowledgement that any such disposition shall be deemed to be a revocation of such Special Meeting Request with respect to such disposed shares; and

(E) documentary evidence that the Requesting Stockholders own the Requisite Percentage as of the date on which the Special Meeting Request is delivered to the Secretary; provided, however, that if the Requesting Stockholders are not the beneficial owners of the shares representing the Requisite Percentage, then to be valid, the Special Meeting Request must also

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include documentary evidence (or, if not simultaneously provided with the Special Meeting Request, such documentary evidence must be delivered to the Secretary within 10 days after the date on which the Special Meeting Request is delivered to the Secretary) that the beneficial owners on whose behalf the Special Meeting Request is made beneficially own the Requisite Percentage as of the date on which such Special Meeting Request is delivered to the Secretary. In addition, the Requesting Stockholders and the beneficial owners, if any, on whose behalf the Special Meeting Request is being made shall (x) further update and supplement the information provided in the Special Meeting Request, if necessary, so that the information provided or required to be provided therein shall be true and correct as of the record date for the special meeting, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the corporation not later than five business days after the record date for the meeting and (y) promptly provide any other information reasonably requested by the corporation.

(ii) A Special Meeting Request shall not be valid, and a special meeting requested by stockholders shall not be held, if (A) the Special Meeting Request does not comply with this Section 3(b); (B) the Special Meeting Request relates to an item of business that is not a proper subject for stockholder action under applicable law (as determined in good faith by the Board of Directors); (C) the Special Meeting Request is delivered during the period commencing 120 days prior to the first anniversary of the date of the immediately preceding annual meeting of stockholders and ending on the earlier of (x) the date of the next annual meeting and (y) 30 days after the first anniversary of the date of the previous annual meeting; (D) an identical or substantially similar item (as determined in good faith by the Board of Directors, a Similar Item ), other than the election of directors, was presented at an annual or special meeting of stockholders held not more than 12 months before the Special Meeting Request is delivered; (E) a Similar Item was presented at an annual or special meeting of stockholders held not more than 120 days before the Special Meeting Request is delivered (and, for purposes of this clause (E), the election of directors shall be deemed to be a Similar Item with respect to all items of business involving the election or removal of directors, changing the size of the Board of Directors and the filling of vacancies and/or newly created directorships resulting from any increase in the authorized number of directors); (F) a Similar Item is included in the corporation's notice of meeting as an item of business to be brought before an annual or special meeting of stockholders that has been called but not yet held or that is called for a date within 120 days of the receipt by the corporation of a Special Meeting Request; or (G) the Special Meeting Request was made in a manner that involved a violation of Regulation 14A under the Securities Exchange Act of 1934, as amended, or other applicable law.

(iii) Special meetings of stockholders called pursuant to this Section 3(b) shall be held at such place, on such date, and at such time as the Board of Directors shall fix; provided, however, that the special meeting shall not be held more than 120 days after receipt by the corporation of a valid Special Meeting Request.

(iv) The Requesting Stockholders may revoke a Special Meeting Request by written revocation delivered to the Secretary at the principal executive offices of the corporation at any time prior to the special meeting. If, at any point after 60 days following the earliest dated Special Meeting Request, the unrevoked requests from Requesting Stockholders (whether by specific written revocation or deemed revocation pursuant to clause (D) of Section 3(b)(i)), represent in the aggregate less than the Requisite Percentage, the Board of Directors, in its discretion, may cancel the special meeting.

(v) In determining whether a special meeting of stockholders has been requested by the Requesting Stockholders representing in the aggregate at the least the Requisite Percentage, multiple Special Meeting Requests delivered to the Secretary of the corporation will be considered together only if (A) each Special Meeting Request identifies substantially the same purpose or purposes of the special meeting and substantially the same matters proposed to be acted on at the special meeting, in each case as determined by the Board of Directors (which, if such purpose is the election or removal of directors, changing the size of the Board of Directors and/or the filling of vacancies and/or newly created directorships resulting from any increase in the authorized number of directors, will mean that the exact same person or persons are proposed for election or

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removal in each relevant Stockholder Meeting Request), and (B) such Special Meeting Requests have been dated and delivered to the Secretary of the corporation within 60 days of the earliest dated Special Meeting Request.

(vi) If none of the Requesting Stockholders appear or send a duly authorized agent to present the business to be presented for consideration specified in the Special Meeting Request, the corporation need not present such business for a vote at the special meeting, notwithstanding that proxies in respect of such matter may have been received by the corporation.

(vii) Business transacted at any special meeting called pursuant to this Section 3(b) shall be limited to (A) the purpose(s) stated in the valid Special Meeting Request received from the Requisite Percentage of record holders and (B) any additional matters that the Board of Directors determines to include in the corporation's notice of the special meeting.

**DOVER CORPORATION**

**3005 HIGHLAND PARKWAY**

**DOWNERS GROVE, IL 60515**

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK  
INK AS FOLLOWS:

M67366-P45412-Z62111 KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY  
**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**DOVER  
CORPORATION**

**The Board of Directors recommends a vote FOR each director under Item 1:**

| 1. Election of Directors | For | Against | Abstain |   | For | Against | Abstain |
|--------------------------|-----|---------|---------|---|-----|---------|---------|
| 1a. R. W. Cremin         | ..  | ..      | ..      |   |     |         |         |
|                          |     |         |         | <b>The Board of Directors recommends a vote <u>FOR</u> Items 2 through 8:</b>   |     |         |         |
| 1b. J-P. M. Ergas        | ..  | ..      | ..      |   |     |         |         |
| 1c. P. T. Francis        | ..  | ..      | ..      | 2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2014. | ..  | ..      | ..      |
| 1d. K. C. Graham         | ..  | ..      | ..      |   |     |         |         |
| 1e. M. F. Johnston       | ..  | ..      | ..      | 3. To reapprove the performance criteria under our Executive Officer Annual Incentive Plan.                               | ..  | ..      | ..      |
| 1f. R. A. Livingston     | ..  | ..      | ..      | 4. To approve, on an advisory basis, named executive officer compensation.  | ..  | ..      | ..      |
| 1g. R. K. Lochridge      | ..  | ..      | ..      | 5. To approve amendments to Article 14 of our Restated Certificate of Incorporation.                                      | ..  | ..      | ..      |
| 1h. B. G. Rethore        | ..  | ..      | ..      | 6. To approve amendments to Article 15 of our Restated Certificate of Incorporation.                                      | ..  | ..      | ..      |
| 1i. M. B. Stubbs         | ..  | ..      | ..      | 7.  | ..  | ..      | ..      |

- |     |               |    |    |    |   |
|-----|---------------|----|----|----|---|
| 1j. | S. M. Todd    | .. | .. | .. | To approve amendments to Article 16 of our Restated Certificate of Incorporation.           |
| 1k. | S. K. Wagner  | .. | .. | .. | 8. To approve an amendment to our By-Laws to permit shareholders to call a special meeting. |
| 1l. | M. A. Winston | .. | .. | .. |   |

**NOTE:** Such other business as may properly come before the meeting or any adjournment thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE  
SIGN WITHIN BOX]      Date

Signature (Joint Owners)      Date



**WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE  
VOTING, BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.**

Internet and telephone voting are available through 11:59 PM Eastern Time  
the day before the annual meeting date.

Your Internet or telephone vote authorizes the named proxies to vote these shares in the  
same manner as if you marked, signed and returned your proxy card.

**OR**

**INTERNET**

<http://www.proxyvote.com>

Use the Internet to vote your proxy.  
Have your proxy card in hand when  
you access the website.

**TELEPHONE**

1-800-690-6903

Use any touch-tone telephone to  
vote your proxy. Have your proxy  
card in hand when you call.

**If you vote your proxy by Internet or telephone, you do NOT need to mail back your proxy card.**

**To vote by mail, sign and date your proxy card and return it in the enclosed postage-paid envelope.**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Notice and Proxy Statement and Annual Report with Form 10-K are available at [www.proxyvote.com](http://www.proxyvote.com).

M67367-P45412-Z62111

**PROXY**

**DOVER**

**CORPORATION**

**PROXY SOLICITED BY BOARD OF DIRECTORS FOR ANNUAL MEETING**

**MAY 1, 2014**

The undersigned hereby appoints Robert A. Livingston, Brad M. Cerepak and Ivonne M. Cabrera, and each of them, as the undersigned's proxy or proxies, each with full power of substitution, to vote all shares of Common Stock of Dover Corporation which the undersigned is entitled to vote at the Annual Meeting of Shareholders to be held in Chicago, IL on May 1, 2014 at 1:00 P.M., local time, and any adjournments thereof, as fully as the undersigned could if personally present, upon the proposals set forth on the reverse side hereof, revoking any proxy or proxies heretofore given. For participants in the Company's Retirement Savings Plan, this proxy will govern the voting of stock held for the account of the undersigned in the Plan.

**IMPORTANT** - You have the option of voting these shares by returning the enclosed proxy card, voting via Internet or by using a toll-free telephone number above and on the reverse side. On the reverse side of this proxy card are instructions on how to vote via the Internet or by telephone. If you vote by either of these methods, your vote will be recorded as if you mailed in your proxy card. If you vote by returning this proxy card, you must sign and date this proxy on the reverse side.

**THIS PROXY WILL BE VOTED IN ACCORDANCE WITH THE SPECIFICATIONS MADE ON THE REVERSE SIDE, BUT IF NO CHOICES ARE INDICATED, THIS PROXY WILL BE VOTED FOR ALL NOMINEES LISTED ON THE REVERSE SIDE AND FOR PROPOSALS 2 THROUGH 8.**

**continued and to be signed on reverse side**