TomTom Investor Relations
Oosterdoksstraat 114
1011 DK Amsterdam, The Netherlands
Internet: investors.tomtom.com
email: ir@tomtom.com

TomTom Reports First Quarter 2010 Results

Revenue growth and increased profitability supported by all business units

Financial highlights Q1 2010

- Revenue increase of 26% to €268 million (Q1 2009: €213 million)
- Strong performances of Consumer (+16%), Automotive (+216%) and WORK (+33%)
- Profitability increased by 4 ppts for gross margin and 13 ppts for EBIT margin
- Maintain full year guidance of broadly flat revenue and earnings per share in 2010[1]

Operational highlights Q1 2010

- Geographic expansion with maps for India and Ukraine, and PNDs for Mexico and Morocco
- 41% growth in number of WEBFLEET subscriptions
- Expansion of automotive relationships with Alfa Romeo and Ford
- Location and navigation content enriched with gradient, road curvature and ADAS-quality geometry

TomTom's Chief Executive Officer, Harold Goddijn

"We performed well this first quarter, reporting significant year on year revenue growth due to the strong performance of all our business units. In addition, both our gross and operating margins increased by several percentage points. On the product front we remain on track with our product development to bring exciting new innovations to the market this year."

Key figures[2]

(in € millions)	Q1'10	Q1'09	y.o.y. change	Q4'09	q.o.q. change
Revenue	268	213	26%	533	-50%
Gross result	144	107	34%	245	-41%
Gross margin	*54%*	*50%*		*46%*	
EBITDA	44	10	350%	136	-68%
EBITDA margin	*16%*	*5%*		*26%*	
EBIT	17	-16		111	
EBIT margin	*6%*	*-7%*		*21%*	
Net result	3	-37		73	
EPS, € diluted	0.01	-0.25		0.33	
Adjusted EPS[3], € diluted	0.07	-0.13		0.39	

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[1] *In 2009 the full year revenue was €1,480 and the earnings per share were €0.47*

[2] *Operating expenses include one off restructuring charges of €1.4 million in Q1 '10, €5.4 million in Q1 '09 and €2.7 million in Q4 '09*

[3] *Earnings per share adjusted for acquisition related amortisation, non-cash goodwill impairment and restructuring charges on a post tax basis*

Operational review

Revenue split*

(in € millions)	Q1'10	Q1'09	y.o.y. change	Q4'09	q.o.q. change
Consumer	186	161	16%	448	-58%
Automotive**	39	12	216%	36	9%
Licensing**	31	30	1%	35	-13%
WORK	12	9	33%	14	-12%
TomTom	**268**	**213**	**26%**	**533**	**-50%**
Hardware	188	150	25%	449	-58%
Content & services	80	63	27%	85	-6%

** Based on non-rounded figures*

*** Automotive map sales are included in Automotive*

In order to provide more insight into our business performance we are reporting a new revenue segmentation as of this quarter. The split will show the revenue by business unit (Consumer, Automotive, Licensing and WORK) and by segment (Hardware and Content & Services).

In the quarter, TomTom's PND market shares grew in both Europe and North America. Compared to the same period last year, our market share in Europe grew from 45% to 47% and from 21% to 22% in North America. In Europe, the PND market size was 2.7 million units compared to 3.2 million units in the same period last year. In North America the market size was stable with 2.6 million units compared to the first quarter of 2009.

At the beginning of the year, we introduced our new entry-level PND in North America, the TomTom EASE. The device has the Enhanced EasyMenu™ user interface with a simple two-icon touch screen, which we introduced at the end of 2009 on the TomTom Start in Europe. At the end of the quarter we also introduced new versions of the TomTom Start and XL in Europe.

Geographically, we expanded our map coverage to more than 100 countries across the globe by introducing Tele Atlas maps for the Ukraine and an expanded map for India. TomTom PNDs became available in Mexico and Morocco in the quarter, increasing our presence in the Central American and North African markets.

We introduced our latest location and navigation content to meet the demand for Advanced Driver Assistance Systems (ADAS). Focused on the automotive industry, Tele Atlas' ADAS includes gradient, road curvature and highest quality geometry. These features can be used to create different applications which include eco-routing, adaptive cruise control, energy management, headlight steering, road preview and curve warning.

We strengthened our relationships in the automotive industry through new agreements with Alfa Romeo and Ford. As part of our agreement with Fiat, the Blue&Me TomTom solution will be introduced in the new Alfa Romeo MiTo and Giulietta. Beyond all the standard navigation functions, the solution also displays and manages vehicle information. In addition, Ford announced that it will use Tele Atlas maps and location content for North America, South America and the Middle East in the newest version of its in-car connectivity system, SYNC™, and in all vehicles equipped with the new premium navigation option for MyFord Touch.

WORK passed the 100,000 subscribers milestone for its fleet management service and grew its subscriber base by 41% year on year to 104,000.

Financial review

Revenue

Revenue for the group was €268 million for the quarter, a year on year increase of 26% (Q1 2009: €213 million) and a decrease of 50% sequentially (Q4 2009: €533 million). First quarter revenue grew strongly compared to the same quarter in the previous year driven by growth in all four business units. The decrease compared to the previous quarter reflects the seasonal pattern of our business.

The revenue of the Consumer business over the past quarter amounted to €186 million, an increase of 16% compared to the same quarter last year (Q1 2009: €161 million) and a decline of 58% compared to the previous quarter (Q4 2009: €448 million). The year on year increase results from a strong increase in our revenue from content and services, as well as an increase in our PND hardware revenue.

Automotive revenue, which includes map and content sales to automotive companies and their suppliers, grew by €27 million or 216% to €39 million compared to the same quarter last year (Q1 2009: €12 million). Sequentially revenue increased by 9% (Q4 2009: €36 million). The increase was mainly driven by the increased volume of shipments to Renault.

Licensing revenue was €31 million for the quarter, up by €1 million from the same quarter last year (Q1 2009: €30 million) and a decrease of 13% sequentially (Q4 2009: €35 million). Year over year licensing showed an increase in internet and wireless revenues and a decrease in external PND revenues.

WORK revenue grew year over year by €2.9 million or 33% to €12 million (Q1 2009: €9.1 million). Sequentially revenue decreased by €1.7 million (Q4 2009: €14 million) which results from a decrease in hardware sales compared to the previous quarter.

Hardware revenue for the quarter was €188 million, an increase of 25% year on year (Q1 2009: €150 million) and a decrease compared to the last quarter of the previous year of 58% (Q4 2009: €449 million). The sequential decrease results from lower Consumer hardware sales as our Consumer sales show a seasonal pattern with high sales in the fourth quarter and lower sales in the first quarter of the year. Content and services revenue was €80 million in the first quarter compared to €63 million in the first quarter of 2009, an increase of 27%. All business units showed a year on year increase in content and services revenues but the main contributor was Consumer content and services. Sequentially, content and services revenue decreased by 6%, from €85 million in the previous quarter. Content and services revenue represented 30% of total revenue (Q1 2009: 30%, Q4 2009: 16%).

PND volumes and average selling prices

In the quarter we sold 1.6 million PNDs, an increase of 15% year on year. The ASP was €89, a decrease of 10% year on year and an increase of 13% sequentially.

The growing services component of our PND revenue will make it increasingly difficult to compare ASPs. In addition, our revenue mix is becoming increasingly broader. As a result we will no longer specifically disclose ASPs and volumes for PNDs as of the next quarter.

Gross margin

The gross margin for the group was strong at 54%, which represents an increase of four percentage points year on year (Q1 2009: 50%) and an increase of eight percentage points compared to the fourth quarter of last year (Q4 2009: 46%). The sequential increase is the result of a change in product and geographical mix, while year on year foreign exchange rates also had a significant positive impact.

Operating expenses

In the quarter, total operating expenses amounted to €127 million, which represents an increase of 3.2% or €4.0 million compared to the first quarter last year (Q1 2009: €123 million). The increase in operating expenses was mainly the result of increased investments in research and development activities as well as higher stock compensation expenses. Operating expenses as a percentage of revenue for the quarter decreased to 47% from 58% in Q1 2009 (Q4 2009: 25%). Operating expenses included €1.4 million of restructuring charges for the quarter (Q1 2009: €5.4 million, Q4 2009: €2.7 million).

Research and development (R&D) expenses for the quarter were €41 million, a 12% increase compared to the previous quarter (Q4 2009: €37 million) and an increase of 10% compared to the same quarter last year (Q1 2009: €37 million). The increase is the result of additional investments in our R&D activities in 2010, which we indicated would be the case at the time of our fourth quarter results.

Amortisation of technology and databases for the quarter was €17 million (Q4 2009: €18 million, Q1 2009: €17 million).

Marketing expenses for the quarter amounted to €15 million, representing a sequential decrease of 42% and a year on year decrease of 11% (Q4 2009: €26 million; Q1 2009: €17 million). The sequential decline in marketing spending results from the seasonal pattern of our business. Total marketing expenses represented 8.1% of Consumer revenue, an increase of 2.3 percentage points sequentially and a decrease of 2.5 percentage points compared to the same quarter last year (Q4 2009: 5.8%; Q1 2009: 11%).

Selling, general and administrative (SG&A) expenses for the quarter amounted to €51 million, which was slightly down compared to the previous quarter and the same quarter last year (Q4 2009: €52 million; Q1 2009: €52 million). SG&A expenses represented 19% of current quarter group revenue, compared to 10% in the previous quarter and 24% in the same quarter last year.

Stock compensation expenses for the quarter were €2.8 million, up from an expense of €1.7 million in the previous quarter and € 0.2 million in Q1 2009.

The operating result for the quarter increased year on year by €33 million to €17 million (Q1 2009: loss of €16 million). As a percentage of revenue, the operating profit increased from a negative 7.5% in Q1 2009 to a positive 6.3% in Q1 2010.

Financial results

The interest expense for the first quarter amounted to €8.5 million (Q1 2009: €17 million, Q4 2009: €11 million). The decline in the interest expense was the result of the reduction in borrowings following the repayment of €619 million in the second half of 2009 together with the year on year decrease in interest rates.

The other financial result was a loss of €5.7 million (Q1 2009: loss of €16 million), which arose mainly from foreign exchange contracts which were put in place to cover committed and anticipated exposure in non-functional currencies.

Tax
The income tax charge was €0.9 million in the first quarter (Q1 2009: a credit of €13 million). The effective tax rate in the first quarter was 22.6% (Q1 2009: 25.7%).

Cash flow
During the quarter, we recorded a cash outflow from operations of €23 million. This was the result of an increase in working capital of €54 million in combination with a cash outflow on financial instruments partially offset by the operating profit of €17 million.

Year on year there was a significant reduction in interest paid to €5.9 million for the quarter (Q1 2009: €31 million).

The cash flow used in investing activities during the quarter decreased to €15 million from €32 million in Q1 2009 and €32 million in the previous quarter. The decrease results from the investments we made in the comparative quarters. In Q4 2009 we acquired business listing company ilocal and in Q1 2009 we had significant investment in our HD Traffic network.

Debt financing
On 31 March 2010, the carrying value of our borrowings amounted to €792 million, an increase of €2 million compared to the previous quarter which results from our amortised transaction costs which are added back to the borrowings over the life time of the borrowings (Q4 2009: €790 million). Excluding transaction costs, which are netted against the borrowings, our outstanding borrowings amounted to €808 million (Q4 2009: €808 million).

Our net debt position as of 31 March 2010 increased to €496 million from €442 million at the end of the previous quarter. The net debt is the sum of the borrowings (€808 million), minus cash and cash equivalents at the end of the period (€313 million) plus our financial lease commitments (€1 million).

The interest rate on the debt was 3.1% in the quarter.

Balance sheet
As of the end of Q1 2010 current assets decreased by €169 million compared to the end of the previous quarter, mainly driven by a strong decrease of €116 million in our trade receivables balance and a decrease of €55 million in the cash balance. Inventories decreased slightly during the quarter by €6 million to €61 million (Q4 2009: €67 million).

Current liabilities decreased by €194 million from €799 million in Q4 2009 to €605 million in Q1 2010. This was mainly caused by a decrease of €99 million in trade payables and €64 million in other liabilities and accruals. At the end of the quarter we had shareholder's equity of €1,029 million up from €1,018 million at the beginning of the quarter.

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Consolidated income statements

(in € thousands)	Q1'10	Q1'09
Revenue	268,356	213,083
Cost of sales	124,105	105,764
Gross result	**144,251**	**107,319**
Research and development expenses	40,965	37,364
Amortisation of technology & databases	17,413	16,697
Marketing expenses	15,123	17,037
Selling, general and administrative expenses	50,988	51,930
Stock compensation expense	2,761	226
Total operating expenses	**127,250**	**123,254**
Operating result	**17,001**	**-15,935**
Interest result	-8,486	-17,443
Other finance result	-5,655	-16,211
Result associates	929	-245
Result before tax	**3,789**	**-49,834**
Income tax	-858	12,830
Net result	**2,931**	**-37,004**
Minority interests	-156	-280
Net result attributed to the group	**3,087**	**-36,724**
Basic number of shares (in millions)	221.7	149.2
Diluted number of shares (in millions)	**222.1**	**150.8**
EPS, € basic	0.01	-0.25
EPS, € diluted	**0.01**	**-0.25**

Consolidated balance sheet

(in € thousands)	31 March 2010	31 Dec 2009
Goodwill	854,713	854,713
Other intangible assets	977,672	986,472
Property, plant and equipment	39,453	42,904
Deferred tax assets	24,694	28,205
Investments	9,498	7,683
Total non-current assets	**1,906,030**	**1,919,977**
Inventories	60,857	66,719
Trade receivables	178,134	294,024
Other receivables and prepayments	24,896	26,035
Other financial assets	19,225	10,602
Cash and cash equivalents	313,495	368,403
Total current assets	**596,607**	**765,783**
Total assets	**2,502,637**	**2,685,760**
Share capital	44,344	44,344
Share Premium	973,755	973,755
Other reserves	47,491	34,319
Stock compensation reserve	69,055	66,267
Retained (deficit) / earnings	-111,201	-106,209
Minority interests	5,820	5,094
Total equity	**1,029,264**	**1,017,570**
Borrowings	593,208	588,141
Provisions	55,270	57,847
Long-term liability	1,164	1,158
Deferred tax liability	218,346	222,129
Total non-current liabilities	**867,988**	**869,275**
Trade payables	101,807	201,176
Borrowings	198,922	201,387
Tax and social security	5,437	30,186
Provisions	53,338	56,503
Other liabilities and accruals	245,881	309,663
Total current liabilities	**605,385**	**798,915**
Total equity and liabilities	**2,502,637**	**2,685,760**

Consolidated statements of cash flows

(in € thousands)	Q1'10	Q1'09
Operating result	17,001	-15,935
Financial (losses) / gains	-10,188	-20,044
Depreciation of property, plant and equipment	4,598	4,719
Amortisation of intangible assets	22,268	20,961
Change to provisions	-5,513	-10,440
Change to stock compensation reserve	2,730	1,312
Changes in working capital:		
Change in inventories	5,632	46,516
Change in receivables and prepayments	117,980	158,903
Change in current liabilities	-177,249	-172,555
Cash generated from operations	**-22,741**	**13,437**
Interest received	158	938
Interest paid	-5,865	-31,322
Corporate income taxes paid	-12,747	-3,414
Net cash flow from operating activities	**-41,195**	**-20,361**
Investments in intangible assets	-11,304	-25,519
Investments in property, plant and equipment	-3,455	-6,310
Investments in financial assets	0	-25
Total cash flow used in investing activities	**-14,759**	**-31,854**
Total cash flow from financing activities	**0**	**0**
Net increase in cash and cash equivalents	**-55,954**	**-52,215**
Cash and cash equivalents at beginning of period	368,403	321,039
Exchange rate effect on cash balances held in foreign currencies	1,046	1,111
Cash and cash equivalents at end of period	**313,495**	**269,935**

Accounting policies

Basis of accounting
The condensed consolidated financial statements for the three-month period ended 31 March 2010 with related comparative information have been prepared using International Financial Reporting Standards (IFRS). Accounting policies and methods of computation followed in the interim financial statements, for the period ended 31 March 2010, are the same as those followed in the Financial Statements for the year ended 31 December 2009. Further disclosures as required under IFRS for a complete set of consolidated financial statements are not included in the condensed consolidated financial statements.

For more information

TomTom Investor Relations
Richard Piekaar
ir@tomtom.com
+31 20 757 5194

Audio web cast first quarter 2010 results
The information for our first quarter results audio web cast is as follows:
Date and time: 26 April 2010 at 14:00 CET
Place: http://investors.tomtom.com/tomtom/presentations/

TomTom is listed at Euronext Amsterdam in the Netherlands
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About TomTom N.V.
TomTom N.V. (AEX: TOM2) is the world's leading provider of location and navigation solutions. Headquartered in the Netherlands it has over 3,000 employees worldwide. More than 40 million people use its solutions every day, in the form of dedicated portable navigation devices (PNDs), in-dash car systems or tracking and tracing solutions for fleet management. In addition, hundreds of millions of people use TomTom's digital maps on the internet or mobile phones.

In 2009, TomTom reported €1.5 billion in revenues and a €340 million net cash flow from operating activities. More information about TomTom can be found at www.TomTom.com.

This document contains certain forward-looking statements relating to the business, financial performance and results of the Company and the industry in which it operates. These statements are based on the Company's current plans, estimates and projections, as well as its expectations of external conditions and events. In particular the words "expect", "anticipate", "estimate", "may", "should", "believe" and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. These include, but are not limited to: the level of consumer acceptance of existing and new and upgraded products and services; the growth of overall market demand for the Company's products or for personal navigation products generally; the Company's ability to sustain and effectively manage its recent rapid growth; and the Company's relationship with third party suppliers, and its ability to accurately forecast the volume and timing of sales. Additional factors could cause future results to differ materially from those in the forward-looking.