TomTom NV Q2 results: strong increase in revenues and net profit

Second quarter 2005

Financial highlights:

- Revenue of € 114.8 million, up 221% on the prior year and 73% on the previous quarter
- 262,000 integrated units shipped, up 143% on the previous quarter
- Net profit of € 22.1 million, up 306% on the prior year, and 61% on the previous quarter
- Fully diluted EPS of € 0.20 for the quarter

Operational highlights:

- Three new GO products, the GO 300, the GO 500, and the GO 700 launched
- TomTom Plus, real-time location based services offering launched
- European deals for the Toyota Aygo and Opel Corsa
- Expansion into Australia and further broadening of European distribution
- Cooperation with AVIS announced

Outlook

- Full year 2005: revenues expected to at least triple compared to 2004, with a broadly similar operating margin as 2004

Key figures (in € millions) (unaudited)	Q2 2005	Q2 2004
Revenue	114.8	35.8
Operating profit	27.0	8.6
Net profit	22.1	5.4
EPS – fully diluted (€ per share)	0.20	0.05

TomTom NV (‘TomTom’), a leading provider of personal navigation products and services, reported today that it had grown turnover and profit substantially in the second quarter of 2005. TomTom’s revenues for the second quarter increased from € 35.8 million in 2004 to € 114.8 million in 2005 and net profit rose from € 5.4 million in 2004 to € 22.1 million in 2005. The growth in revenues in the second quarter was primarily driven by the success of the GO 300, and by the GO 500 and the GO 700 following their introduction towards the end of the quarter.

TomTom's Chief Executive Officer, Harold Goddijn said:

"The market for personal navigation products and services is growing rapidly and TomTom is a key driver of this growth with our newly introduced range of GO products, the GO 300, GO 500, and GO 700. We continued to grow both revenues and profits strongly in the second quarter due to the success of our new products. We expanded our presence geographically and secured important partnerships in the automotive sector. Adding the TomTom Plus range of real time location based services enables us to provide the user with a richer navigation experience. We look forward to the rest of the year with confidence and we now expect revenues to at least triple compared with last year, with operating margins sustained at a broadly similar level to last year's full year reported operating margin."

Market developments

The total European and US car park is 418 million cars, and only 10% of new cars sold have a satellite navigation system fitted. 94% of cars on the road in Europe and 98% in the US do not have a satellite navigation system. Market acceptance for personal navigation products is accelerating faster than anticipated and there is continued high growth in the sector. This growth is being driven by more product choice and by lower price points for consumers. There is a move amongst consumers away from non-integrated solutions towards integrated, fit-for purpose devices. TomTom is well positioned with its newly updated product range to be one of the leaders in this rapidly developing market.

Operational review

We shipped our new family of GO products, the GO 300, GO 500, and GO 700 during the quarter. The three models each offer different functionality and price points, designed to gain mass market acceptance for our products. The majority of the GO units sold in the period were GO 300 units which started shipping in April. First shipments of the GO 500 and GO 700 took place towards the end of the quarter.

We are pleased with the progress we are making in the US. Distribution is increasing and we expect around 2,500 outlets to be selling our products by the end of the summer including Best Buy, Circuit City, CompUSA and Fry's Electronics. This network will give us meaningful national distribution for the first time. We also started shipping in Australia for the first time and we have had a positive reaction from this market so far.

We further deepened our distribution network across Western Europe to include, amongst others: Halfords in the UK; Brightpoint in Germany, Finland and Sweden; Inpro Technologia and PC City in Spain; Norauto in France; GEN-Art in Italy and ACR Braendli & Voegell in Switzerland. We also expanded into Eastern Europe with our first product sales in Poland and The Czech Republic.

In the automotive sector we have made good progress which is marked in particular by volume shipments for our pan-European automotive deal for the Opel Corsa and by first shipments for the Toyota Aygo. We also announced a new cooperation with AVIS to supply the GO 700 for hire at selected airport rental centres across Europe.

Financial Review

Revenue

We delivered € 114.8 million of revenue in the quarter compared with € 35.8 million in the second quarter of 2004 and € 66.2 million in the first quarter of 2005. The growth in the quarter was driven by strong demand for integrated personal navigation products and services, and by the new products that we released in the period, especially the GO 300.

	Q2 2005	Q2 2004	Change %
	(in € millions) (unaudited)		
Revenue			
Integrated devices	95.8	11.0	771%
Non-Integrated solutions	12.6	23.4	-46%
Other	6.5	1.4	364%
Total	**114.8**	**35.8**	221%
Number of units sold			
Integrated devices	262,447	22,675	1057%
Non-Integrated solutions	111,082	158,270	-30%
Total	**373,529**	**180,945**	**106%**
Average selling price (in €)			
Integrated devices	365	487	-25%
Non-Integrated solutions	114	148	-23%
Overall	**290**	**190**	**53%**

We shipped 262,000 GO units in the quarter. This volume was higher than the total number of units we shipped in all of 2004. The majority of the GO units sold in the period were GO 300 units, the lowest price point model of the three which has a lower average selling price (ASP) than the GO 500 and GO 700. The GO 300 started shipping in April while the first shipments of the GO 500 and GO 700 took place towards the end of the quarter. With the GO 300 accounting for the bulk of the units sold during the quarter the ASP declined to € 365 but we expect the ASP to increase going forward as sales of the higher ASP GO 500 and 700 make up a greater percentage of the overall sales mix.

Revenues of non-integrated products declined compared with both the second quarter in the prior year and the previous quarter. Non-integrated products consist of navigation software to be used in PDAs and in mobile phones. We have a number of important relationships with major PDA and handset vendors such as HP and Nokia, however, as anticipated, the fall off in revenues from the PDA sector is not being fully compensated for by growth in smartphone sales. PDA vendors are increasingly building GPS receivers into their devices and these products are becoming included within the classification of integrated devices.

Other revenues grew sharply in the period driven by strong map upgrade sales following the new map releases in the quarter. TomTom Plus was introduced and started to contribute to revenues via online sales of city maps, navigation voices, safety cameras, and real time traffic and weather data.

In the automotive sector we have made significant progress which is marked in particular by first volume shipments for our European automotive deal for the Opel Corsa and by shipments for the Toyota Aygo and to Lancia for the Ypsilon. Each of the three automotive manufacturers supported these deals with major advertising campaigns.

Gross Margin

The gross margin in the quarter was 41.7%, up from 40.8% in the second quarter of the prior year but down from 47.1% in the first quarter of 2005. There were two main reasons for the decrease compared with the first quarter. The first was product mix. In the second quarter of 2005, the GO 300 accounted for the majority of revenues from integrated devices. The GO 300 has a lower gross margin than the Classic GO which was the only GO product which we sold in the first quarter. The Classic GO was phased out at the end of the first quarter. The second reason for the decrease was the adverse exchange rate. The US dollar appreciated by more than 3% against the euro on average during the quarter and this had a negative impact of 1.3% on our gross margin, since our cost of sales are largely denominated in US dollars.

In the second half of the year gross margins should improve slightly because there will be more GO 500s and GO 700s in the product mix. However, so far this quarter the US dollar has continued to strengthen when compared to the average second quarter exchange rate. As a result the improvement in the gross margin compared to the second quarter arising from a better product mix may be negated by the adverse exchange rate if we make the assumption that the US dollar stays at a similar exchange rate with the euro as it is at today.

Operating Expenses

Operating expenses decreased to 18% of revenue in the quarter compared with 19% in the first quarter because of reduced SG&A and research and development spend as a percentage of revenue offset in part by increased investment in marketing. Marketing expenditure was 10.5% of revenue as we invested heavily to support the new product launches, up from 7.8% in the first quarter. Research and development spend was 1.9% of revenue and other SG&A 5.8% including the accounting charge for share options.

Operating Margin

The operating margin in the second quarter was 24%, the same percentage as in the second quarter of last year, but down 4% on the first quarter of 2005. The change compared with the first quarter of 2005 was caused by the lower gross margin partially offset by the reduction in operating costs as a percentage of revenue.

Financial Income and Expenses

We recorded a net gain of € 5.7 million in the quarter which was mainly from gains on forward foreign exchange contracts to purchase US dollars in order to pay our most significant contract manufacturers. Under IFRS rules it is necessary to revalue all forward contracts at the end of each period whether or not they have matured. This gain therefore is made up of both realised and unrealised gains.

Tax

The effective tax rate for the company in the quarter was 32.4% made up of the tax on the profits of the European operations at the Dutch tax rate of 31.5% and with no tax asset recorded against the losses of the US operation.

Cash flow

During the quarter we received net proceeds from the IPO of € 116.6 million and we generated cash from operations of € 19.8 million. Working capital increased by € 10.5 million. In the second half we will invest to fund the increased working capital we will need to fuel our growth.

Balance sheet

Our balance sheet was strengthened in the period by the issue of 7,142,857 new shares which increased shareholders' equity by € 116.6 million. At the end of the quarter we had no gearing and a net cash position of € 187.9 million.

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Q2 2005 Results Presentation Audio Webcast Information

The information for our second quarter results audio webcast is as follows:

Time: Wednesday 27 July 2005 at 2 PM CET

Place: www.tomtom.com

Please log on to our website to listen in

About TomTom

TomTom NV is a leading provider of personal navigation products and services to the consumer market. TomTom's products are developed with an emphasis on innovation, quality, ease of use and value. TomTom's products include all-in-one navigation devices which enable customers to navigate right out of the box, as well as navigation software products which integrate with third party devices such as PDAs and smartphones. TomTom's portfolio of products and services includes the award-winning TomTom GO family of integrated navigation devices, the TomTom Navigator software for PDAs, TomTom MOBILE navigation software for smartphones and TomTom Plus, a location-based content and services offering for TomTom s navigation products. TomTom was founded in 1991 in Amsterdam and has offices in the Netherlands, the United Kingdom, the United States and Taiwan. TomTom’s products are sold through a network of leading retailers in 17 countries and online.

TomTom NV Second Quarter Financial Statements

1.1 Consolidated Income Statement for the three month period ended 30 June

	Q2 2005	Q2 2004
	(in € thousands) (unaudited)	
Revenue	114,845	35,830
Cost of sales	66,906	21,232
Gross profit	47,939	14,598
Operating expenses		
Research & development	2,151	1,163
Marketing	12,099	2,141
Selling, general and administrative	6,660	2,736
Total operating expenses	20,910	6,040
Operating profit	27,029	8,558
Net financial income and (expenses)	5,666	61
Profit before taxation	32,695	8,619
Taxation	10,608	3,181
Net profit	**22,087**	**5,438**
Average number of shares outstanding (in thousands)	102,427	100,000
Average number of shares outstanding, diluted (in thousands)	111,650	106,858
Earnings per share - basic (in €)	0.22	0.05
Earnings per share- diluted (in €)	0.20	0.05

TomTom NV Second Quarter Financial Statements

1.2 Consolidated Income Statement for the six month period ended 30 June

	Half year 2005	Half year 2004
	(in € thousands) (unaudited)	
Revenue	181,002	49,981
Cost of sales	101,934	29,137
Gross profit	79,068	20,844
Operating expenses		
Research & development	3,915	1,869
Marketing	17,236	4,409
Selling, general and administrative	12,450	3,303
Total operating expenses	33,601	9,581
Operating profit	45,467	11,263
Net financial income and (expenses)	7,408	175
Profit before taxation	52,875	11,438
Taxation	17,029	4,090
Net profit	**35,846**	**7,348**
Average number of shares outstanding (in thousands)	101,214	100,000
Average number of shares outstanding, diluted (in thousands)	110,437	106,858
Earnings per share - basic (in €)	0.35	0.07
Earnings per share- diluted (in €)	0.32	0.07

TomTom NV Second Quarter Financial Statements

2. Consolidated Balance Sheet

	30-Jun 2005	31-Dec 2004
	(in € thousands) (unaudited)	
Non-current assets		
Intangible assets	1,215	960
Property, plant and equipment	2,655	2,050
Total non-current assets	3,870	3,010
Current Assets		
Inventories	28,198	13,402
Trade receivables	59,918	29,383
Other receivables and prepayments	2,482	4,975
Financial instruments	5,586	0
Cash and cash equivalents	187,904	40,167
Total current assets	284,088	87,927
Total assets	**287,958**	**90,937**
Equity and liabilities		
Shareholders' Equity		
Share capital	21,456	18
Share Premium	115,163	619
Legal reserves	1,151	946
Cumulative translation reserve	-10	15
Stock compensation reserve	3,456	2,614
Retained earnings	49,872	33,594
Total equity	191,088	37,806
Provisions	1,433	394
Long term liabilities		
Deferred tax liability	1,014	1,301
Current liabilities		
Trade payables	38,691	25,608
Tax and social security	24,287	12,867
Other accruals	9,448	6,248
Other liabilities	21,523	6,713
Financial instruments	474	0
Total current liabilities	94,423	51,436
Total equity and liabilities	**287,958**	**90,937**

TomTom NV Second Quarter Financial Statements

3. Statement of changes in equity for the period ended 30 June 2005

	Share capital	Share premium	Legal reserves	Cumulative translation adjustment	Stock compensation reserve	Retained earnings	Total
	(in € thousands) (unaudited)						
Balance as at 1 January 2004	18	619	579	30	103	6,244	**7,593**
Translation differences				1			
Profit for the year						7,347	**7,347**
Dividends							**0**
Transfer to legal reserves			80			-80	**0**
Transfer to stock compensation reserve					151		**151**
							0
Balance as at 30 June 2004	**18**	**619**	**659**	**31**	**254**	**13,511**	**15,092**
Translation differences				-16			**-16**
Profit for the year						20,370	**20,370**
Dividends							**0**
Transfer to legal reserves			287			-287	**0**
Transfer to stock compensation reserve					2,360		**2,360**
							0
Balance as at 31 December 2004	**18**	**619**	**946**	**15**	**2,614**	**33,594**	**37,806**
Translation differences				-25			**-25**
Profit for the year						35,846	**35,846**
Dividends							**0**
Transfer to legal reserves			205			-205	**0**
Transfer to stock compensation reserve					842		**842**
Recapitalization	19,982	-619				-19,363	**0**
Issue of Share Capital	1,456	115,163					**116,619**
							0
Balance as at 30 June 2005	**21,456**	**115,163**	**1,151**	**-10**	**3,456**	**49,872**	**191,088**

TomTom NV Second Quarter Financial Statements

4.1 Consolidated cash flow statement for the three month period ended 30 June

	Q2 2005	Q2 2004
	(in € thousands) (unaudited)	
Cash flow from operating activities		
Operating profit	27,029	8,558
Foreign exchange results	1,549	57
Adjustments for non-cash items:		
Depreciation and amortization	449	277
Additions to provisions	878	20
Additions to stock compensation reserve	420	106
Changes in working capital:		
Decrease / (Increase) in inventories	-20,011	-4,997
Decrease / (Increase) in receivables	-32,048	-14,085
(Decrease) / Increase in current liabilities (excl income tax)	41,516	9,321
Cash generated from operations	19,782	-743
Interest (paid)	-212	-15
Interest received	473	15
Corporate income taxes (paid) / received	-2,738	-180
Net cash flow from operating activities	17,305	-923
Investments in intangible fixed assets	-271	-141
Investments in property, plant and equipment	-925	-696
Total cash flow used in investing activities	-1,196	-837
Proceeds on issue of shares	116,618	0
Dividends paid	0	0
Total cash flow from financing activities	116,618	0
Net increase in cash and cash equivalents	132,728	-1,760
Cash and Cash equivalents at beginning of period	55,176	8,913
Cash and Cash equivalents at end of period	187,904	7,153

TomTom NV Second Quarter Financial Statements

4.2 Consolidated Cash Flow Statement for the six month period ended 30 June

	Half year 2005	Half year 2004
	(in € thousands) (unaudited)	
Cash flow from operating activities		
Operating profit	45,467	11,262
Foreign exchange results	1,806	188
Adjustments for non-cash items:		
Depreciation and amortization	903	444
Additions to provisions	1,039	-50
Additions to stock compensation reserve	843	151
Changes in working capital:		
Decrease / (Increase) in inventories	-14,796	-7,924
Decrease / (Increase) in receivables	-28,042	-11,547
(Decrease) / Increase in current liabilities (excl income tax)	24,309	9,188
Cash generated from operations	31,529	1,712
Interest paid	-218	-28
Interest received	683	15
Corporate income taxes (paid) / received	888	-118
Net cash flow from operating activities	32,882	1,581
Cash flow used in investing activities		
Investments in intangible assets	-461	-299
Investments in property, plant and equipment	-1,302	-1,026
Total cash flow used in investing activities	-1,763	-1,325
Cash flow from financing activities		
Proceeds on issue of shares	116,618	0
Dividends paid	0	0
Total cash flow from financing activities	116,618	0
Net increase in cash and cash equivalents	147,737	256
Cash and Cash equivalents at beginning of period	40,167	6,897
Cash and Cash equivalents at end of period	187,904	7,153

TomTom NV Second Quarter Financial Statements

5.1 Accounting policies

Basis of accounting

The financial statements for the period end 30 June 2005 with related comparative information have been prepared in accordance with International Financial Reporting Standards (IFRS). Accounting policies and methods of computation followed in the interim financial statements, for the period ended 30 June 2005, are the same as those followed in the Financial Statements for 2004.

5.2 Segment reporting

The Company offers integrated and non-integrated solutions under the business line of personal navigation solutions.

The Company generates sales across different geographical regions.

Region	2005 Half year Revenue (in € thousands) (unaudited)	2004 Half year Revenue (in € thousands) (unaudited)
Europe	174,922	49,575
North America	5,433	406
Rest of World	647	0
Total	181,002	49,981

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 statements.*