



**Q1 2006 results:  
Strong unit sales of portable navigation devices;  
Guidance for Full Year 2006 increased**

**First quarter highlights**

Compared with Q1 2005

- Revenue increased by 288% to €256 million
- 762,000 portable navigation devices shipped, an increase of 606%
- Gross margin of 35% reflects Q1 promotions to clear inventories of current TomTom GO range
- Net profit increased by 121% to €31 million
- Fully diluted EPS improved by €0.14 to €0.27

Compared with Q4 2005

- Revenue decreased 11% compared to seasonally strongest quarter
- Portable navigation devices shipped down 2% compared to seasonally strongest quarter
- Gross margin of 35% reflects Q1 promotions to clear inventories of current TomTom GO range
- Operating margin of 20% decreased by 3 percentage points, reflecting the lower gross margin partly offset by reduced operating costs

**Operational highlights**

- Increased European market leadership position
- Successful product transition completed
- New TomTom GO range well received by the market
- Increased distribution presence in North America; to more than 8,500 outlets
- Launch of fleet management products by TomTom WORK
- Acquisition of traffic technology company Applied Generics

**Outlook 2006**

Full year 2006 guidance increased: revenues now expected to be in the range of €1.1 billion to €1.3 billion (previously €1.0 billion to €1.1 billion). We are targeting a gross margin of around 40% of revenue for the full year.

**Key figures**

(unaudited)  
(in € millions)

	Q1 '06	Q4 '05	change	Q1 '05	change
Revenue	256	289	-11%	66	288%
Gross profit	89	123	-28%	31	187%
Gross margin	35%	43%		47%	
Operating profit	50	67	-25%	18	178%
Operating margin	20%	23%		27%	
Net profit	31	48	-35%	14	121%
EPS (fully diluted - € per share)	0.27	0.41	-34%	0.13	108%

\* numbers and percentages are based on amounts rounded to the nearest million

**TomTom's Chief Executive Officer, Harold Goddijn said:**

"2006 is off to a successful and exciting start. Market demand continues to be strong and TomTom increased unit sales seven-fold compared to the first quarter of 2005. In the first quarter we successfully secured the sell through of the current TomTom GO series ahead of the introduction of the new range. In Europe, we strengthened our market leadership position and increased our market share. In the US, we expanded our distribution strength through a substantial increase in the number of retail outlets we are present in."

"In early March we launched the new TomTom GO range at a well-attended launch event in London, followed by CeBIT in Hanover. The positive market reception to the new range confirmed that TomTom continues to provide product and technology leadership in the portable navigation category. Our entry level product, the TomTom ONE continues to perform strongly. With the broad range of products covering the most important price points and with our widening geographic presence, we are gaining more confidence and visibility about the outlook for the year."

"Based on our first quarter performance and the strong market reception to our next-generation products and services, we are increasing our outlook for 2006."

**Outlook 2006**

Given our own first quarter performance and market share we now believe that the European market for portable navigation devices (PNDs) will grow to around 8 million units in 2006, up from the estimate we gave at the time of our full year results of around 7 million units. We now estimate that our volumes of PNDs will more than double to between 3.6 million and 3.9 million units and that we will deliver revenues of between €1.1 billion and €1.3 billion. We are targeting a gross margin of around 40% of revenue for the full year. In the second quarter of this year, we expect to see higher revenues, gross margins and marketing expenses compared to the first quarter driven by the introduction of new products and by seasonality.

**Operational review**

The key goal for the quarter was to ensure that, by the time we shipped the new GO range both we and our retail partners had sold through the inventory of the existing GO family. We are pleased with how our end of life programmes have been executed and we exited the quarter with low inventories on our balance sheet of the existing GO range and strong sell through in retail. The channel is well prepared for the new range.

TomTom once again strengthened its number one position in Europe despite the increased number of market entrants. According to market research company GfK, we extended our European market share in units to 57% in the first two months of 2006. In the US, we retained our number two position, increasing our penetration of the retail channel to over 8,500 outlets compared to approximately 5,000 outlets at the end of 2005.

We significantly reduced inventory on our balance sheet and overall reduced our working capital which enabled us to generate €74 million of cash from operations in the quarter.

In March 2006, TomTom unveiled an exciting range of new products to drive the growth of portable navigation. The new range of GO products, the 910, the 710 and the 510 were launched as well as TomTom WORK, our new business to business fleet management business.

## Financial Review

(unaudited)

**Revenue** (in € millions)

PNDs  
PDA/smartphone solutions

Other

**Total**

**Number of units sold** (in 000s)

PNDs

PDAs/smartphones solutions

**Total**

**Average selling price** (in €)

PNDs

PDAs/smartphones solutions

**Weighted average selling price**

	Q1 '06	Q4 '05	change	Q1 '05	change
PNDs	233	263	-11%	47	396%
PDA/smartphone solutions	9	16	-44%	16	-44%
Other	14	10	40%	3	367%
<b>Total</b>	<b>256</b>	<b>289</b>	<b>-11%</b>	<b>66</b>	<b>288%</b>
PNDs	762	779	-2%	108	606%
PDAs/smartphones solutions	91	140	-35%	113	-19%
<b>Total</b>	<b>853</b>	<b>919</b>	<b>-7%</b>	<b>221</b>	<b>286%</b>
PNDs	305	337	-9%	434	-30%
PDAs/smartphones solutions	104	116	-10%	145	-28%
<b>Weighted average selling price</b>	<b>284</b>	<b>304</b>	<b>-7%</b>	<b>285</b>	<b>0%</b>

\* numbers and percentages are based on amounts rounded to the nearest million

### Revenue

Revenue in the seasonally weaker first quarter was strong at €256 million. Revenue was 11% lower than in the fourth quarter of 2005 (Q4 2005: €289 million) and 288% higher than in the first quarter of 2005 (Q1 2005: €66 million). Revenue from PND sales represented 91% of total revenue in the quarter (Q4 2005: 91%; Q1 2005: 71%). Revenues in Europe represented 92% of total revenue for the quarter (Q4 2005: 90%; Q1 2005: 98%) and revenues from North America 6% of total revenue (Q4 2005: 9%; Q1 2005: 2%).

Revenues from software solutions for PDAs and smartphones were €9 million for the quarter, down from €16 million in Q4 2005.

Other revenues increased by 40% to €14 million compared with the fourth quarter of 2005 (Q4 2005: €10 million) and increased by 367% compared with the first quarter of 2005 (Q1 2005: €3 million). As our installed base of customers continues to increase we expect this category of revenue to grow, driven by higher sales of accessories and maps and of TomTom PLUS services.

### Volumes and average selling prices

In the quarter we focused on selling through the existing GO range ahead of the introduction of the new GO range. This explains both the high volumes and lower ASPs which we experienced in the quarter. We shipped 762,000 PNDs in the quarter, which was only 2% lower than the seasonally strong fourth quarter of 2005 (Q4 2005: 779,000) and 606% up on the first quarter of 2005. The average selling price of PNDs for the quarter was €305 (Q4 2005: €337; Q1 2005: €434) a decrease of 9% compared to the fourth quarter of 2005 and a decrease of 30% compared to the first quarter of 2005. There was a greater proportion of high end products in the mix in the first quarter than in the previous (holiday season) quarter.

### Channel Inventory

We ended the quarter with channel inventories owned by retailers at a lower level than at year end. Sell through by retailers was strong particularly towards the end of the quarter. We expect the remaining stocks of the existing GO range owned by retailers to sell through over the coming weeks.

## **Gross Margin**

The gross margin in the quarter was 35% (Q4 2005: 43%; Q1 2005: 47%) because of the one-off impact of the product transition as we sold through significant volumes of existing GO products using promotional prices to drive volume. We expect the gross margin to increase as the new GO range starts to ship in volume during the second quarter.

## **Operating expenses**

Operating expenses for the quarter decreased by 31% to €38.5 million (Q4 2005: €56.1 million) and increased by 203% compared with the first quarter of 2005 (Q1 2005: €12.7 million).

Research & Development expenses for the quarter increased by 87% to €5.6 million over the fourth quarter of 2005 (Q4 2005: €3.0 million) and increased by 273% over the first quarter of 2005 (Q1 2005: €1.5 million). They represented 2.2% of revenue up from 1.0% in the previous quarter. We continue to invest in growing our development teams both organically and by acquisition which is driving the higher expenditure.

Marketing expenses were seasonally lower at €14.9 million (Q4 2005: €35.9 million; Q1 2005: €5.1 million) a decrease of 58% over the fourth quarter of 2005 and an increase of 192% over the first quarter of 2005. They represented 5.8% of revenue down from 12.4% in the previous quarter.

Selling, general and administrative (SG&A) expenses for the quarter decreased by 5% to €13.2 million compared to the fourth quarter of 2005 (Q4 2005: €13.9 million) and increased by 136% over the first quarter of 2005 (Q1 2005: €5.6 million). They represented 5.2% of revenue compared with 4.8% in the previous quarter.

Operating expenses (excluding stock compensation expenses) as a proportion of revenue for the quarter were 13.2% (Q4 2005: 18.2%; Q1 2005: 18.5%).

Non-cash stock compensation expenses for the quarter increased by 45% to €4.8 million over the fourth quarter of 2005 (Q4 2005: €3.3 million; Q1 2005: €0.4 million) The increase is because of the impact of the first full quarterly charge relating to significant, contractual share option grants made in November 2005.

## **Financial income and expenses**

Financial income and expenses consisted of an expense of €4.8 million compared to an income of €3.8 million in the fourth quarter of 2005 and an income of €1.7 million in the first quarter of 2005. The charge arose on the weakening of the British pound and US dollar against the euro at the end of the quarter. As a result we recorded a charge to mark-to-market the outstanding forward foreign exchange contracts at quarter end. In addition foreign exchange losses arose on the revaluation of British pound and US dollar receivables. We revalue all forward contracts at the end of each period whether or not they have matured. This loss therefore is made up of both realized and unrealized net gains. The loss on foreign exchange was partly offset by €1.4 million of interest income.

**Tax**

Income taxes decreased by 38% to €14.1 million compared with the fourth quarter of 2005 (Q4 2005: €22.8 million) and increased by 120% compared with the first quarter of 2005 (Q1 2005: €6.4 million). The effective tax rate was 31.1% (Q4 2005: 32.0%; Q1 2005: 31.8%). This decrease was mainly influenced by the decrease in the Dutch tax rate from 31.5% to 29.6%.

**Cash flow**

In the first quarter our cash flow was strong and we generated €74 million of cash from operations. This was mainly driven by the operating profit of €50 million and by a decrease in working capital. The acquisition costs of Applied Generics amounted to €16 million.

**Balance sheet**

Our balance sheet is strong and we ended the quarter with €225 million of cash. As a result of very strong sales in March our receivables balance increased at the end of the quarter. Inventories decreased significantly from €103 million to €77 million as we sold the majority of the remaining stock of existing GO products. Balance sheet provisions increased from €21 million to €24 million due to additions to the warranty provision related to the growth of the business.

At the end of the quarter, we had shareholder's equity of €342 million, up from €306 million at the start of the quarter.

**Employment**

The number of employees increased by 95 in the quarter to 530 at the end of Q1 2006.

## Contacts

### Investor relations and financial press

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### Audio Webcast Q1 2006 Results

The information for our first quarter results audio web cast is as follows:

**Time:** Tuesday 25 April 2006 at 15:00 CET

**Place:** [www.tomtom.com/investor](http://www.tomtom.com/investor)

### TomTom is listed on the Amsterdam Stock Exchange

ISIN: NL 0000387058

Symbol: TOM2

### About TomTom

TomTom NV is a leading provider of personal navigation products and services. 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; these are the award-winning TomTom GO family, the TomTom ONE and the TomTom RIDER. TomTom also provides navigation software products which integrate with third party devices; the TomTom NAVIGATOR software for PDA's and TomTom MOBILE navigation software for smart phones. TomTom PLUS, is the location-based content and services offering for TomTom's navigation products. TomTom WORK combines industry leading communication and smart navigation technology with leading edge tracking and tracing expertise. TomTom was founded in 1991 in Amsterdam and has offices in the Netherlands, the United Kingdom, Germany, France, Italy, the United States of America, Australia, China and Taiwan. TomTom's products are sold through a network of leading retailers in 20 countries and online.

## Consolidated income statements

<b>(unaudited)</b> <b>(in € thousands)</b>	<b>January to March 2006</b>	<b>January to March 2005</b>
Revenue	255,880	66,157
Cost of sales	<u>167,176</u>	<u>35,028</u>
<b>Gross profit</b>	<b><u>88,704</u></b>	<b><u>31,129</u></b>
<b>Operating expenses</b>		
Research & development	5,566	1,530
Marketing	14,948	5,098
Selling, general and administrative	13,191	5,641
Stock compensation expenses	<u>4,771</u>	<u>421</u>
<b>Total operating expenses</b>	<b><u>38,476</u></b>	<b><u>12,690</u></b>
<b>Operating profit</b>	<b><u>50,228</u></b>	<b><u>18,439</u></b>
Net financial (expenses) and income	-4,826	1,742
<b>Profit before taxation</b>	<b><u>45,402</u></b>	<b><u>20,181</u></b>
Taxation	14,137	6,421
<b>Net profit</b>	<b><u>31,265</u></b>	<b><u>13,760</u></b>
		Pro forma
Average number of shares outstanding, basic (in 000s)	108,277	100,000
<b>Average number of shares outstanding, diluted (in 000s)</b>	<b>116,747</b>	<b>109,203</b>
Earnings per share, basic (in €)	0.29	0.14
<b>Earnings per share, diluted (in €)</b>	<b>0.27</b>	<b>0.13</b>

## Consolidated balance sheets

(unaudited)	31 March	31 December
(in € thousands)	2006	2005
<b>Non-current assets</b>		
Intangible assets	30,052	15,845
Property, plant and equipment	6,058	5,168
<b>Total non-current assets</b>	<b>36,110</b>	<b>21,013</b>
<b>Current Assets</b>		
Inventories	77,103	103,183
Trade receivables	172,509	150,985
Other receivables and prepayments	10,694	6,391
Financial instruments	760	3,651
Cash and cash equivalents	225,132	178,377
<b>Total current assets</b>	<b>486,198</b>	<b>442,587</b>
<b>Total assets</b>	<b>522,308</b>	<b>463,600</b>
<b>Equity and liabilities</b>		
<b>Shareholders' equity</b>		
Share capital	21,686	21,456
Share Premium	114,966	115,091
Legal reserves	1,796	1,740
Cumulative translation reserve	-24	73
Stock compensation reserve	16,279	11,589
Retained earnings	187,603	156,394
<b>Total equity</b>	<b>342,306</b>	<b>306,343</b>
<b>Provisions</b>	<b>24,236</b>	<b>20,981</b>
<b>Long term liabilities</b>		
Deferred tax liability	950	1,057
<b>Total long term liabilities</b>	<b>950</b>	<b>1,057</b>
<b>Current liabilities</b>		
Trade payables	58,441	55,390
Tax and social security	45,919	16,147
Other accruals	27,047	42,618
Other liabilities	23,409	21,064
<b>Total current liabilities</b>	<b>154,816</b>	<b>135,219</b>
<b>Total equity and liabilities</b>	<b>522,308</b>	<b>463,600</b>



## Consolidated statement of changes in stockholders' equity

(unaudited) (in € thousands)	Share capital	Share premium	Legal reserves	Cumul. transl. adjust.	Stock compens. reserve	Retained earnings	Total
<b>Balance 1 Jan 2006</b>	<b>21,456</b>	<b>115,091</b>	<b>1,740</b>	<b>73</b>	<b>11,589</b>	<b>156,394</b>	<b>306,343</b>
Translation differences				-97			-97
Profit for the year						31,265	31,265
Transfer to legal reserves			56			-56	0
Transfer to stock compensation reserve					4,690		4,690
Issue of Share Capital	230	-125					105
<b>Balance 31 Mar 2006</b>	<b>21,686</b>	<b>114,966</b>	<b>1,796</b>	<b>-24</b>	<b>16,279</b>	<b>187,603</b>	<b>342,306</b>

## Consolidated statements of cash flows

(unaudited) (in € thousands)	January to March 2006	January to March 2005
<b>Cash flow from operating activities</b>		
Operating profit	50,228	18,439
Foreign exchange results	-2,242	257
Adjustments for non-cash items:		
Depreciation and amortization	2,907	454
Additions to provisions and other liabilities	3,263	161
Additions to stock compensation reserve (net)	4,690	422
Changes in working capital:		
Decrease in inventories	26,081	5,214
(Increase) / decrease in receivables	-24,411	4,006
Increase / (decrease) in current liabilities (excl. income tax)	13,061	-17,207
<b>Cash generated from operations</b>	<b>73,577</b>	<b>11,746</b>
Interest received	1,360	210
Corporate income taxes (paid) / received	-10,281	3,620
<b>Net cash flow from operating activities</b>	<b>64,656</b>	<b>15,576</b>
Investments in intangible fixed assets	-16,192	-190
Investments in property, plant and equipment	-1,813	-377
<b>Total cash flow used in investing activities</b>	<b>-18,005</b>	<b>-567</b>
Proceeds on issue of shares	104	0
<b>Total cash flow from financing activities</b>	<b>104</b>	<b>0</b>
<b>Net increase in cash and cash equivalents</b>	<b>46,755</b>	<b>15,009</b>
Cash and Cash equivalents at beginning of period	178,377	40,167
<b>Cash and Cash equivalents at end of period</b>	<b>225,132</b>	<b>55,176</b>

## Accounting policies

### Basis of accounting

The condensed consolidated financial statements for the three-month period ended 31 March 2006 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 2006, are the same as those followed in the Financial Statements for the year ended 31 December 2005. Further disclosures as required under IFRS for a complete set of consolidated financial statements are not included in the condensed consolidated financial statements.

### Business combinations

Investments in affiliated companies are included in the balance sheet based at net asset value. The costs of the acquisition are allocated to assets and liabilities (purchase price allocation). Acquired technology from acquisitions is amortised using the straight-line method over the estimated economic lives. The part of the purchase price that cannot be allocated to assets and liabilities is allocated to goodwill.

### Segment reporting

The Company offers PNDs and navigation solutions for PDAs and smartphones. The Company generates sales across different geographical regions.

<b>(unaudited)</b> <b>(in € thousands)</b>	<b>January to</b> <b>March 2006</b>	<b>January to</b> <b>March 2005</b>
<b>Revenues per Region</b>		
Europe	235,072	64,766
North America	16,435	1,391
Rest of world	4,373	0
<b>Total</b>	<b>255,880</b>	<b>66,157</b>

*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.*