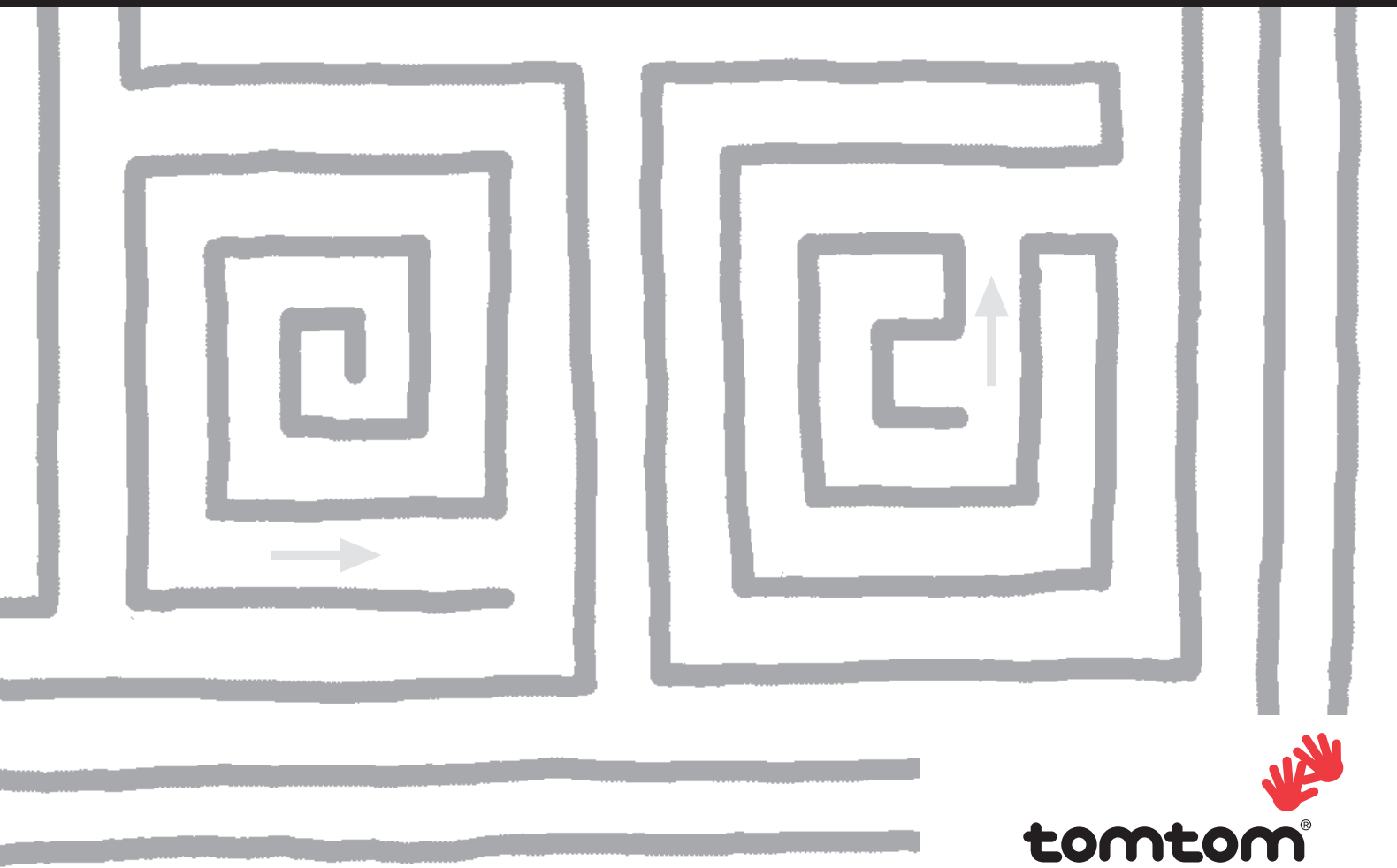




## Initial public offering TomTom





### All-in-One Navigation Devices

TomTom GO



TomTom RIDER



### PDA-Based Navigation Solutions

TomTom Navigator



GPS Receiver



Bluetooth



Cabled

### Smartphone-Based Navigation Solutions

TomTom MOBILE



GPS Receiver



Connected Navigation  
TomTom Plus



## TomTom NV

*(a limited liability company incorporated under the laws of The Netherlands, with its corporate seat in Amsterdam)*

### Global Offer of 26,785,714 ordinary shares with a nominal value of €0.20 per Share

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7,142,857 new ordinary shares (the “**New Shares**”) are being offered by TomTom NV (“**TomTom**”, “**we**”, “**our**”, or “**us**”) and 19,642,857 existing ordinary shares (the “**Existing Shares**” and, together with the New Shares, the “**Shares**”) are being offered by entities in which certain of our directors and members of senior management are beneficially interested (collectively, the “**Selling Shareholders**”) in the offering (the “**Global Offer**”). The Global Offer consists of a public offering in The Netherlands (including to certain institutional investors) and an offering internationally to certain institutional investors. As part of the Global Offer, there will be a preferential allotment to certain members of our management board and to our employees in The Netherlands, the United Kingdom, France and Germany. The number of Shares reserved for such preferential allotment is 285,000.

We will receive the net proceeds from the sale of the New Shares but will not receive any proceeds from the sale of Existing Shares, all of which will be paid to the Selling Shareholders.

Prior to the Global Offer, there has been no public market for the Shares. Application has been made to list all of our ordinary shares on Euronext Amsterdam NV’s Eurolist by Euronext (“**Eurolist by Euronext**”) under the symbol “TOM2”. Trading in the Shares is expected to commence on or about 27 May 2005.

See “**Risk Factors**” beginning on page 9 to read about factors that should be considered before buying Shares.

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**Offer Price: €17.50 per Share**

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**The Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “Securities Act”). The Shares are being offered and sold in the United States only to “qualified institutional buyers” (“QIBs”) in reliance on Rule 144A under the Securities Act (“Rule 144A”). Prospective purchasers that are QIBs are hereby notified that sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of restrictions on offers, sales and transfers of the Shares and the distribution of this Prospectus in other jurisdictions, see “Selling and Transfer Restrictions”.**

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If closing of the Global Offer does not take place on 1 June 2005 (the “**Settlement Date**”) or at all, the Global Offer will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and transactions on the Stock Market of Euronext Amsterdam NV will be annulled. All dealings in the Shares prior to settlement and delivery are at the sole risk of the parties concerned.

Euronext Amsterdam NV (“**Euronext Amsterdam**”) does not accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the Global Offer and/or (the related) annulment of any transactions on the Stock Market of Euronext Amsterdam NV.

The Selling Shareholders have granted to the Underwriters an option (the “**Over-allotment Option**”) exercisable within 30 calendar days after the Settlement Date pursuant to which the Underwriters may require the Selling Shareholders to sell 4,017,857 additional existing ordinary shares at the Offer Price, to cover over-allotments, if any, in connection with the Global Offer.

Delivery of the Shares is expected to take place on or about 1 June 2005 through the book-entry facilities of Nederlands Centraal Instituut voor Giraal Effectenverkeer BV (“**Euroclear Netherlands**”) and Clearstream Banking, société anonyme, Luxembourg (“**Clearstream Luxembourg**”), in accordance with their normal settlement procedures applicable to equity securities and against payment for the Shares in immediately available funds.

*Joint Global Coordinators and Joint Bookrunners*

**Goldman Sachs International**

**Lehman Brothers**

**Fortis Bank**

*Co-Lead Managers*

**Kempen & Co**

**Rabo Securities**

*Financial Advisor to the Issuer*

**Nick Kaufmann Limited**

Prospectus 26 May 2005

No person is or has been authorised to give any information or to make any representation in connection with the offering or sale of the Shares, other than as contained in this Prospectus, and, if given or made, any other information or representation must not be relied upon as having been authorised by us, the Selling Shareholders, the Underwriters or Nick Kaufmann Limited. The delivery of this Prospectus at any time after the date hereof will not, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information set forth in this Prospectus is correct as of any time since its date.

We accept responsibility for the accuracy and completeness of this Prospectus. We confirm that as of the date hereof, the information in this Prospectus is true and accurate in all material respects and that, to the best of our knowledge, there are no other facts the omission of which would, in the context of the Global Offer, make any statement in this Prospectus misleading. Potential investors should not assume that the information in this Prospectus is accurate as of any other date than the date of this Prospectus.

**In connection with the Global Offer, the Underwriters through Lehman Brothers International (Europe) (“Lehman Brothers”) may over-allot or effect transactions that stabilise or maintain the market price of the Shares at levels above those which might otherwise prevail in the open market. Such transactions may be effected on the Stock Market of Euronext Amsterdam, in the over-the-counter market or otherwise. There is no assurance that such stabilisation will be undertaken and, if it is, it may be discontinued at any time and will end no later than 30 calendar days after the Settlement Date.**

#### **Notice to Investors**

The distribution of this Prospectus and the offering and sale of the Shares offered hereby in certain jurisdictions may be restricted by law. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or an invitation to purchase, any of the Shares offered hereby in any jurisdiction in which such offer or invitation would be unlawful.

The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Global Offer or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

#### **Notice to Investors in the United Kingdom**

With the exception of Shares being offered or sold to our employees in the United Kingdom, the Shares have not been offered or sold and, prior to the expiry of a period of six months from the sale of the Shares, will not be offered or sold to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended). Each of the Underwriters will represent, warrant and agree that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Shares in circumstances in which section 21(1) of the FSMA does not apply to us and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom.

#### **Notice to Investors in France**

Neither this Prospectus nor any other offering material relating to the Shares has been submitted to the clearance procedures of the *Autorité des marchés financiers* in France. The Shares have not been

offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this Prospectus nor any other offering material relating to the Shares has been or will be (i) released, issued, distributed or caused to be released, issued or distributed to the public in France or (ii) used in connection with any offer for subscription or sale of the Shares to the public in France. Such offers, sales and distributions will be made in France only to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in and in accordance with Article L.411-2 of the French Code *monétaire et financier* and French Decree no. 98-880 dated 1 October 1998. Such Shares may be resold only in compliance with Articles L.411-1, L.411-2 and L. 412-1 of the French Code *monétaire et financier*. Investors in France and persons who come into possession of offering materials are required to inform themselves about and observe any such restrictions.

#### **Notice to Investors in Japan**

The Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended), and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term as used herein includes any corporation or other entity organised under the laws of Japan), or to others for offering or sale, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law.

#### **Notice to Investors in Spain**

The offer of Shares has not been registered with the *Comisión Nacional del Mercado de Valores* in Spain. Accordingly, no Shares will be offered or sold in Spain nor may this Prospectus or any other offer material be distributed or targeted at Spanish resident investors save in compliance and in accordance with the requirements of the Spanish Securities Market Law 24/1998, Royal Decree 291/1992 on Issues and Public Offers of Securities, both as amended, and any regulation issued thereunder.

#### **Notice to Investors in Belgium**

The Shares may not be offered publicly, directly or indirectly, in Belgium at the time of the Global Offer. The Global Offer has not been notified to, and the offering documents (including this Prospectus) have not been approved by, the Belgian Banking and Finance Commission. The Shares may be sold in Belgium only to professional investors as defined in article 3 of the Royal Decree of 7 July 1999 on the public nature of financial transactions acting for their own account, and this Prospectus may not be delivered or passed on to any other investors.

#### **Notice to Investors in Germany**

No action has been or will be taken in the Federal Republic of Germany that would permit a public offering of the Shares, or distribution of a prospectus or any other offering material relating to the Shares. In particular, no sales prospectus (*Verkaufsprospekt*) within the meaning of the German Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) of 13 December 1990, as amended, (the “German Sales Prospectus Act”) has been or will be published within the Federal Republic of Germany, nor has this Prospectus been filed with or approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) for publication within the Federal Republic of Germany. Accordingly, any offer or sale of the Shares or any distribution of offering material within the Federal Republic of Germany may violate the provisions of the German Sales Prospectus Act.

Each Underwriter has agreed (i) that it has not offered, sold or delivered and will not offer, sell or deliver any Shares within the Federal Republic of Germany otherwise than in accordance with the German



Sales Prospectus Act, and (ii) that it will distribute in the Federal Republic of Germany any offering material relating to the Shares only under circumstances that will result in compliance with the applicable rules and regulations of the Federal Republic of Germany.

#### **Notice to Investors in Italy**

The Global Offer has not been cleared by Consob pursuant to Italian securities legislation and, accordingly, the Underwriters will not offer, sell, or deliver any Shares or distribute copies of this Prospectus or of any other document relating to the Shares in the Republic of Italy, except to professional investors, as defined in Article 31, second paragraph, of Consob Regulation n. 11522 of 1<sup>st</sup> July, 1998, as amended, and provided that such professional investors will act in their capacity and not as depositaries or nominees for other shareholders

#### **Notice to Investors in Luxembourg**

Each Underwriter has agreed that no public offerings or sales of the Shares or any distribution of this Prospectus or any other offering material relating to the Shares will be made to the public in or from Luxembourg, except for the Shares in respect of which the requirements of Luxembourg law concerning a public offering of securities in Luxembourg have been fulfilled.

#### **Presentation of Financial and Other Information**

The historical consolidated financial information contained in this Prospectus, including the audited consolidated financial statements as of and for each of the years in the three-year period ended 31 December 2002, 2003 and 2004, the unaudited interim consolidated financial information for the three months ended 31 March 2005, the “Summary Consolidated Financial Data”, the “Selected Consolidated Financial Data” and the financial data contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, is that of TomTom Group BV and its subsidiaries. TomTom Group BV is the predecessor entity to TomTom NV, the issuer of the Shares, prior to the reorganisation described below.

We completed an internal reorganisation on 13 May 2005 pursuant to which: (1) our parent company, TomTom Group BV, was merged into its wholly-owned subsidiary, TomTom Nederland BV, and TomTom Group BV ceased to exist; (2) TomTom Nederland BV immediately cancelled 100,000,000 of its own shares owned by TomTom Group BV; (3) 100,000,000 shares of TomTom Nederland BV were issued to the shareholders of TomTom Group BV in exchange for their shares in TomTom Group BV; and (4) TomTom Nederland BV was converted into a public company and renamed “TomTom NV” by deed of conversion and amendment to its Articles of Association (collectively, the “Reorganisation”).

The Reorganisation would not have had any impact on the consolidated balance sheet, income statements or cash flow statements of TomTom NV, prepared on a pro forma basis to give effect to the Reorganisation, as of or for the periods covered by the historical consolidated financial information of TomTom Group BV included in this Prospectus, except for certain offsetting adjustments to our share capital, share premium and retained earnings in the pro forma consolidated balance sheets of TomTom NV. These offsetting adjustments for the three-month period ended 31 March 2005 are shown in the pro forma financial data for TomTom NV presented under “Capitalisation”, which has been prepared to give effect to the Reorganisation as if it had occurred on 1 January 2005.

Our consolidated financial information in the Prospectus has been prepared in accordance with International Financial Reporting Standards (“IFRS”). IFRS differs in certain significant respects from US GAAP as they relate to our consolidated financial information. In making an investment decision, investors must rely upon their own examination of us, the terms of the Global Offer and the financial information provided herein. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and US GAAP. For a discussion of the most significant

differences between IFRS and US GAAP as they relate to us, see “Summary of Significant Differences between IFRS and US GAAP”.

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row.

All references in this Prospectus to “euros” or “€” are to the currency introduced at the start of the third stage of the Economic and Monetary Union, pursuant to the Treaty establishing the European Economic Community, as amended by the Treaty on the European Union. All references to “pounds sterling” or “£” are to the lawful currency of the United Kingdom and to “US dollars” or “\$” are to the lawful currency of the United States. See “Exchange Rates”.

Certain satellite navigation and consumer electronics and other terms used in the Prospectus are defined in “Glossary of Selected Terms”.

### **Market Data**

All references to market data, industry statistics and forecasts and other information in this Prospectus consist of estimates based on data and reports compiled by industry professionals, organisations, analysts, publicly available information or our own knowledge of our sales and markets. The third-party data used herein includes: data from the “Canalys Mobile Navigation service”, YPCA report (*Het Nationale Automobilisten Onderzoek*) dated December 2003, the Lightspeed Research “Motoring National Survey” report dated August 2004, the Frost & Sullivan “Analysis of the European Original Equipment Market for Telematics and Infotainment—Market Size and Forecasts” report dated April 2005 and other publicly available third-party data. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. We have not independently verified this data or determined the reasonableness of such assumptions. In addition, in many cases we have made statements in this Prospectus regarding our industry and our position in the industry based on industry forecasts, market research and internal surveys as well as our own experience. While these statements are believed to be reliable, they have not been independently verified, and neither we, the Selling Shareholders, the Underwriters nor Nick Kaufmann Limited make any representation or warranty as to the accuracy or completeness of this information set forth in the Prospectus.

### **Forward-Looking Statements**

This Prospectus contains forward-looking statements, including statements about our beliefs and expectations. These statements are based on our current plans, estimates and projections, as well as our 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 inherent risks and uncertainties and speak only as of the date they are made. We undertake no duty to and will not necessarily update any of them in light of new information or future events, except to the extent required by applicable law. We caution investors that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements. These factors include, but are not limited to:

- the level of consumer acceptance of our existing and new and upgraded products and services, in particular the TomTom GO;
- our ability to effectively manage a significant number of new and upgraded product and service introductions and transitions;

- our success in protecting our intellectual property and avoiding the infringement of the intellectual property of others;
- our ability to sustain and effectively manage our recent rapid growth;
- our relationship with the contract manufacturer which produces our integrated devices;
- our failure to accurately forecast the volume and timing of sales; and
- our relationships with certain key suppliers of map data and electronics component parts.

Additional factors that could affect our ability to achieve our objectives and could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those discussed under “Risk Factors”.

#### **No Incorporation of Website**

The contents of our website do not form part of this document.



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## SUMMARY

*This summary should be read together with, and is qualified in its entirety by, reference to the more detailed information and the consolidated financial statements and notes thereto contained elsewhere in this Prospectus, including, but not limited to, the risks as set out in "Risk Factors". This summary is not complete and does not contain all the information that you should consider in connection with any decision relating to the Shares.*

### **Our Company**

We are a leading provider of personal navigation products and services to the consumer mass market. Our products include integrated devices, which enable our customers to navigate right out of the box, and non-integrated solutions which enable navigation on third-party devices, such as PDAs and smartphones. Our portfolio of products includes the award-winning TomTom GO family of integrated navigation devices, the TomTom Navigator software for PDAs and TomTom MOBILE navigation software for smartphones. We also recently launched TomTom Plus, a location-based content and services offering for our navigation products.

In order to keep costs low and focus our resources on design and innovation, we outsource the manufacturing and related engineering and assembly of our integrated products to our contract manufacturer in Asia. We also outsource supply-chain services, including packaging, further assembly, testing, product localisation, shipment and tracking, to our logistics provider.

Our products are sold primarily through retail stores. The bulk of our products are distributed to retailers through several large national and regional distribution companies. We have also developed direct relationships with many of the leading electronics retailers in Western Europe and, more recently, with major electronics retailers in the United States.

We have experienced rapid growth since we began focusing on personal satellite navigation in 2001. Our rapid growth to date has been entirely organic and has been driven by our personal navigation product introductions. In 2003, our growth was due to the success of our navigation software for PDAs, the TomTom Navigator. In 2004, our growth was due mainly to the successful release of the TomTom GO, which contributed approximately 60% of our total revenues that year.

In 2004, we generated approximately 97% of our revenue in Europe and the remainder from the United States. While we have focused primarily on Western Europe, we believe that the personal satellite navigation market is expanding globally, and we intend to continue to pursue opportunities to sell our products outside of Western Europe.

### **Our Market Opportunity**

The market for personal navigation products has grown rapidly, most dramatically in Europe. According to forecasts from the analyst firm Canalys, the market for personal navigation products in Europe is expected to grow from approximately 2.6 million units in 2004 to approximately 4.9 million units in 2007. Strong growth in personal navigation products has been driven, and we expect will continue to be driven, by a number of factors, including:

*Strong Consumer Demand.* People do not like to get lost, and we believe this is a key driver of growth for the satellite navigation market.

*Large, Under-Penetrated Market.* Widespread vehicle ownership has created a large potential market for satellite navigation products in our target geographic markets. The vast majority of drivers in Europe and the United States have access to one or more vehicles, and we believe many of them are potential users of satellite navigation products. Moreover, current market penetration for satellite navigation products is low.

*Rapid Technology Advances.* Recent technology advances in processing power, memory capacity, data compression, GPS receiver technology and satellite positioning accuracy have made personal, portable navigation devices possible.

*Affordability.* Declining component costs have made it commercially viable to offer high-quality navigation solutions at significantly reduced prices.

*Availability.* Historically, navigation solutions have only been made available through car manufacturers, specialist garages and other professional installers but, increasingly, navigation products are more widely available in consumer retail outlets and also via the internet.

*Attractiveness.* Improved product design, better software and stylish hardware are making products easier to use and more appealing to a consumer mass market.

### **Our Competitive Strengths**

We believe that we have a number of competitive strengths that position us as a leading provider of personal satellite navigation products, including:

*Innovative, Consumer-Friendly Navigation Products.* We develop our products with an emphasis on innovation, quality, ease of use and value. Our products combine leading-edge technology and distinctive styling with an intuitive user interface. We design all our products with a focus on the end-user experience and the goal of making navigation easy and fun.

*Technology Leadership and Platform Flexibility.* Our products integrate sophisticated navigation software, GPS technology, data compression and wireless network technology. Our technical team has spent over a decade developing mobile device technology that maximises the navigation experience in the challenging, resource-constrained mobile device environment.

*Diverse and Wide-Ranging Distribution Network.* As a result of our early commitment to the personal navigation market and the high quality of our products, we believe we have built an extensive retail and online distribution network in Western Europe that would require significant time and commitment to duplicate.

*Highly Scalable Business Model.* We focus in-house on key activities such as hardware and software design and outsource most other activities. We also use common hardware and software platforms for our products to enable efficient manufacturing and development of future products. We design our products to keep costs down by choosing high-quality but low cost components which enable us to obtain efficient high-volume manufacturing. We believe that our business model gives us good flexibility in our operations.

*Market Leadership.* We have been focused on electronic mapping and personal navigation products for close to a decade and on mobile device technology for nearly 15 years. Our early focus on the personal navigation market has enabled us to build a consumer brand in Europe associated with high-quality navigation products. According to Canalys estimates, we were the market leader in the integrated personal navigation device market in Europe in 2004 with a market share of approximately 52%.

*Experienced Management Team.* Our management team has considerable expertise in the personal navigation, mobile device, software development and consumer products industries. In addition, our management team has experience working together at TomTom. We believe our management team's unique combination of expertise and continuity are key competitive advantages in the rapidly evolving personal navigation market.

## **Our Strategy**

Our goal is to be a leading provider of high-quality and easy to use personal navigation products that have broad consumer appeal. We seek to achieve this goal by:

*Expanding Our Portfolio of Category-Defining Personal Navigation Products.* We believe that providing a diverse portfolio of personal navigation products and services is critical to our business. We intend to accomplish this by expanding our range of integrated and non-integrated personal navigation products and enhancing the navigation experience. In particular, we believe that adding more functionality to the TomTom GO and expanding this family of products to target new segments of the navigation market are key drivers for our continued growth. Also, we recently launched TomTom Plus, our location-based content and services offering that we believe enhances our customers' navigation experience and creates additional revenue opportunities for us.

*Continuing to Innovate.* We believe that our focus on innovation is instrumental to our continued success. We plan to maintain our competitive advantage by continuously focusing on technical innovation and expanding our product engineering and design capabilities.

*Increasing the Depth and Breadth of Our Distribution Channels.* We intend to enhance our relationships with our distributors and retailers by increasing our retail store distribution and developing new distribution channels. For example, we plan to sell personal navigation products targeted at distribution channels that offer professionally installed dealer-fitted navigation systems and hands-free car-kits.

*Building the TomTom Brand.* We believe that consumer decisions to purchase our products are influenced in part by brand recognition. Our goal is to build the TomTom brand into the most widely recognised brand in personal satellite navigation in our key markets.

*Expanding our Global Footprint.* To date, our business has been focused primarily on the Western European market. We started operating in the United States in December 2002. We aim to grow our international operations while continuing to solidify our competitive position in our existing markets.

*Continuing to Invest in Highly Qualified Personnel.* We believe that the quality and skills of our senior management team and other personnel within the organisation have been critical to our success. We intend to continue placing emphasis on creating a culture that fosters innovation, creativity and teamwork. We also intend to continue to recruit talented, innovative and entrepreneurial personnel in order to support our technology development and growth strategies.

*Careful Evaluation and Pursuit of Strategic Opportunities.* We may selectively pursue opportunities to engage in strategic transactions with, or make significant investments in, businesses, products, technologies or innovations that complement our business and growth strategy.

## **Risk Factors**

For a discussion of certain considerations that should be taken into account in deciding whether to invest in the Shares, see "Risk Factors".

## **Corporate Information**

We are a limited liability company under the laws of The Netherlands, with registration number 34224566 and our corporate seat in Amsterdam, The Netherlands. Our head offices are located at Rembrandtplein 35, 1017 CT Amsterdam, The Netherlands.

## The Global Offer

<b>The Issuer</b> .....	TomTom NV, a limited liability company under the laws of The Netherlands, with its corporate seat in Amsterdam, The Netherlands.
<b>The Selling Shareholders</b> .....	Tradewind Investment NV, Rinkelberg Software BV, Nova Acta BV and Tailored Solutions Nederland BV.  For a discussion of the relationship between the Selling Shareholders and certain of our directors and members of senior management, see “Selling Shareholders and Related Party Transactions”.  Each of the Selling Shareholders held 25% of our ordinary shares immediately prior to the Global Offer.  The Selling Shareholders have granted the Underwriters an Over-allotment Option, as discussed below.
<b>The Shares</b> .....	We are offering 7,142,857 New Shares and the Selling Shareholders are offering 19,642,857 Existing Shares. The rights of holders of New Shares and Existing Shares will rank <i>pari passu</i> with each other with respect to voting rights and distributions.
<b>Shares Outstanding</b> .....	Immediately prior to the Global Offer, we had 100,000,000 ordinary shares outstanding.  Immediately after the Global Offer, we will have 107,142,857 ordinary shares outstanding.
<b>Share Ownership</b> .....	Immediately after the Global Offer, assuming no exercise of the Over-allotment Option, approximately 75% of our outstanding share capital will be owned by the Selling Shareholders.
<b>The Global Offer</b> .....	The Global Offer consists of an offering of Shares: <ul style="list-style-type: none"> <li>• to the public in The Netherlands (including to certain institutional investors); and</li> <li>• internationally to certain institutional investors.</li> </ul>
<b>Preferential Allotment</b> .....	As part of the Global Offer, there will be a preferential allotment to certain members of our management board and to our employees in The Netherlands, the United Kingdom, France and Germany. Each of these employees may subscribe for shares at the Offer Price. The number of Shares reserved for such preferential allotment is 285,000.
<b>Subscription Period</b> .....	The subscription period for prospective investors in The Netherlands commenced on 16 May 2005 at 09:00 Amsterdam time and ended on 26 May 2005 at 16:00 Amsterdam time (the “Subscription Period”).
<b>Offer Price</b> .....	€17.50 per Share.
<b>Pricing Date</b> .....	26 May 2005.



<b>Allotment Date</b> . . . . .	The allotment will occur following the Subscription Period, and is expected to take place before the start of trading on 27 May 2005, subject to acceleration or extension of the timetable for the Global Offer. In the event the Global Offer is over-subscribed, you may receive a smaller number of Shares than you applied to subscribe for.
<b>Settlement Date</b> . . . . .	Expected to be on or about 1 June 2005, the third business day following the date on which trading is expected to commence (T+3).
<b>Joint Global Coordinators and Joint Bookrunners</b> . . . . .	Goldman Sachs International and Lehman Brothers are acting as Joint Global Coordinators and Joint Bookrunners in connection with the Global Offer.
<b>Over-allotment Option</b> . . . . .	The Selling Shareholders have granted to the Underwriters an option, exercisable within 30 calendar days after the Settlement Date, pursuant to which the Underwriters may require the Selling Shareholders to sell 4,017,857 additional existing ordinary shares at the Offer Price to cover over-allotments, if any, in connection with the Global Offer.
<b>Use of Proceeds</b> . . . . .	We intend to use the net proceeds we receive from the issue of the New Shares, after deduction of fees and costs related to the Global Offer, primarily for general corporate purposes, including research and development of new products and technologies, international expansion, potential strategic acquisitions or investments and for working capital, as described under “Use of Proceeds”. We will not receive any proceeds from the sale of the Existing Shares in the Global Offer, all of which will be paid to the Selling Shareholders.
<b>Lock-up Arrangements</b> . . . . .	<p>We have agreed with the Underwriters that we will not sell or otherwise transfer, other than in the Global Offer, any of our ordinary shares or securities exchangeable or convertible into, or exercisable for, our ordinary shares for a period of 180 days from the Settlement Date, except with the prior joint written consent of the Joint Global Coordinators and Joint Bookrunners, subject to certain exceptions.</p> <p>Each of the Selling Shareholders has agreed with the Underwriters that it will not sell or otherwise transfer, other than in the Global Offer, any of our ordinary shares or securities exchangeable or convertible into, or exercisable for, our ordinary shares for a period of 360 days from the Settlement Date, except with the prior joint written consent of the Joint Global Coordinators and Joint Bookrunners, subject to certain exceptions.</p> <p>Nick Kaufmann Limited has agreed not to sell or otherwise transfer any of our ordinary shares or securities exchangeable or convertible into, or exercisable for, our ordinary shares for a period of 180 days from the Settlement Date, except with our prior written consent, subject to limited exceptions.</p>

<b>Listing and Trading</b> . . . . .	<p>Application has been made to list our ordinary shares on Eurolist by Euronext under the symbol “TOM2”.</p> <p>Listing and trading of our ordinary shares on Eurolist by Euronext is expected to occur on or about 27 May 2005 (the “Listing Date”).</p> <p>Prior to the Global Offer, there has been no public market for our ordinary shares.</p> <p>The Shares will be first listed on a provisional basis (<i>voorlopige notering</i>). Trading of the Shares will commence prior to closing of the Global Offer on the Settlement Date. If closing of the Global Offer does not take place on the Settlement Date or at all, the Global Offer will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and transactions on the Stock Market of Euronext Amsterdam NV will be annulled. All dealings in the Shares prior to settlement and delivery are at the sole risk of the parties concerned.</p> <p>Euronext does not accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the Global Offer and/or (the related) annulment of any transactions on the Stock Market of Euronext Amsterdam NV. See “Risk Factors—Risks Relating to the Global Offer” and “The Global Offer—Listing and Trading of the Ordinary Shares.”</p>
<b>Dividends</b> . . . . .	We do not anticipate paying any dividends for the foreseeable future. See “Dividend Policy”.
<b>Voting Rights</b> . . . . .	Holders of the Shares will be entitled to one vote per Share at General Meetings of Shareholders. See “Description of Share Capital and Corporate Governance—Corporate Governance—General Meetings of Shareholders and Voting Rights.”
<b>Payment, Delivery, Clearing and Settlement</b> . . . . .	<p>Payment for the Shares, and payment for shares which may be part of the Over-allotment Option if this has been exercised prior to the Settlement Date, will take place on the Settlement Date.</p> <p>Delivery of the Shares is expected to take place on or about 1 June 2005 through the book-entry facilities of Euroclear Netherlands and Clearstream Luxembourg, in accordance with their normal settlement procedures applicable to equity securities and against payment for the Shares in immediately available funds.</p> <p>Settlement of trades is expected to take place on 1 June 2005.</p>
<b>Share Trading Information</b> . . . . .	<p>ISIN: NL 0000387058.</p> <p>Common Code: 021984272.</p> <p>Amsterdam Security Code Number: 38705.</p> <p>Eurolist by Euronext Symbol: TOM2.</p>
<b>Sponsor and Paying Agent</b> . . . . .	Kempen & Co NV.

### Summary Consolidated Financial Data

The summary consolidated financial data set forth below is that of TomTom Group BV and its subsidiaries. TomTom Group BV is the predecessor entity to TomTom NV prior to the Reorganisation. See “Presentation of Financial and Other Information” and “Description of Share Capital and Corporate Governance—Share Capital—Reorganisation”. The summary consolidated financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Selected Consolidated Financial Data” and the consolidated financial statements and notes thereto included elsewhere in this Prospectus. The year-end consolidated financial data is extracted from our consolidated financial statements that have been audited by Deloitte Accountants BV, independent auditors. The three-month consolidated financial data is based upon our unaudited interim condensed consolidated financial accounts for the three-month period ended 31 March 2005. The results for the three-month period ended 31 March 2005 are not necessarily indicative of results for the full year. The financial statements and accounts from which the summary consolidated financial data set forth below have been derived were prepared in accordance with IFRS. The summary consolidated financial data set forth below may not contain all of the information that is important to you.

	Year ended 31 December			Three months ended 31 March
	2002	2003	2004	2005
(€ in millions, except percentages, per share and share amounts)				
<b>Profit and Loss Data</b>				
<b>Revenue</b> . . . . .	<b>7.9</b>	<b>39.1</b>	<b>192.4</b>	<b>66.2</b>
Cost of sales . . . . .	3.5	19.7	107.2	35.0
<b>Gross profit</b> . . . . .	<b>4.4</b>	<b>19.4</b>	<b>85.2</b>	<b>31.2</b>
<b>Gross profit margin</b> . . . . .	<b>56%</b>	<b>50%</b>	<b>44%</b>	<b>47%</b>
Selling, general and administrative expenses . . . . .	1.7	7.1	36.8	10.9
% of revenue . . . . .	22%	18%	19%	16%
Research and development expenses . . . . .	0.9	2.3	5.0	1.8
% of revenue . . . . .	12%	6%	3%	3%
<b>Total operating expenses</b> . . . . .	<b>2.6</b>	<b>9.4</b>	<b>41.8</b>	<b>12.7</b>
<b>Operating profit</b> . . . . .	<b>1.8</b>	<b>10.0</b>	<b>43.4</b>	<b>18.5</b>
Operating profit margin . . . . .	23%	26%	23%	28%
Financial expenses and income, net . . . . .	0	-0.5	-0.8	1.7
<b>Profit before tax</b> . . . . .	<b>1.8</b>	<b>9.5</b>	<b>42.6</b>	<b>20.2</b>
Income tax . . . . .	0.4	3.3	14.9	6.4
% of profit before tax . . . . .	22%	35%	35%	32%
<b>Net profit</b> . . . . .	<b>1.4</b>	<b>6.2</b>	<b>27.7</b>	<b>13.8</b>
<b>Net profit margin</b> . . . . .	<b>17%</b>	<b>16%</b>	<b>14%</b>	<b>21%</b>
<b>Net profit per share</b>				
Basic . . . . .	0.75	3.39	15.19	7.54
Diluted . . . . .	0.75	3.27	14.20	6.87
<b>Weighted average number of ordinary shares used to calculate net profit per share</b>				
Basic . . . . .	1,824,276	1,824,276	1,824,276	1,824,276
Diluted . . . . .	1,824,276	1,887,303	1,951,999	2,002,476
<b>Pro forma net profit per share<sup>1</sup></b>				
Basic . . . . .	0.01	0.06	0.28	0.14
Diluted . . . . .	0.01	0.06	0.26	0.13
<b>Weighted average number of ordinary shares used to calculate pro forma net profit per share</b>				
Basic . . . . .	100,000,000	100,000,000	100,000,000	100,000,000
Diluted . . . . .	100,000,000	103,454,877	107,001,298	109,768,259

(1) To achieve comparability, pro forma net profit per share reflects the Reorganisation.

	As of 31 December			As of
	2002	2003	2004	31 March
<b>Balance Sheet Data</b>				<b>2005</b>
		(€ in millions)		
Total non-current assets . . . . .	0.6	1.2	3.0	3.1
Total current assets . . . . .	4.2	19.8	87.9	95.0
<i>of which cash and cash equivalents</i> . . . . .	0.8	6.9	40.2	55.2
Total long-term liabilities and provisions . . . . .	0	0.1	1.7	1.9
Total current liabilities . . . . .	3.1	13.3	51.4	44.3
Total equity . . . . .	1.7	7.6	37.8	52.0
		Year ended 31 December		
				Three months ended
				31 March
<b>Cash Flow Data</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
		(€ in millions)		
Net cash flow from operating activities	1.1	7.6	36.8	15.6
Total cash flow used in investing activities . . . . .	-0.5	-1.0	-3.0	-0.6
Total cash flow from financing activities . . . . .	-0.2	-0.6	-0.5	0
<b>Net increase in cash and cash equivalents</b> . . . . .	<b>0.4</b>	<b>6.1</b>	<b>33.3</b>	<b>15.0</b>

## **RISK FACTORS**

*Prospective investors should consider carefully the following risks and uncertainties in addition to the other information presented in this Prospectus. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business and affect the price of the Shares. If any of the following risks actually occurs, our business, results of operations or financial condition could be materially adversely affected. In that event, the value of the Shares could decline, and you might lose part or all of your investment.*

### **Risks Relating to the Business**

***Our success depends significantly on the sales of a single product, TomTom GO.***

We operate in the market for personal navigation products. Our revenues are largely concentrated in one product, the TomTom GO, and a substantial portion of our revenues and cash flow is derived from this single product. In 2004, sales of TomTom GO accounted for approximately 60% of our total revenues, reflecting approximately eight months of TomTom GO sales. We recently began shipping our new TomTom GO 300 model and expect to soon begin shipping our 500 and 700 models. We expect that we will continue to rely on TomTom GO sales for a substantial majority of our revenues in 2005.

If our second-generation TomTom GO devices do not achieve market acceptance similar to that of our initial TomTom GO device, or if the speed of development and time-to-market of these products compares unfavourably to directly competing products, our business, results of operations or financial condition would be materially adversely affected. In addition, any attempt to diversify our products and services away from dependence on TomTom GO may not be successful and may cause us to divert resources and management attention away from our core business, which could materially adversely affect our business, results of operations or financial condition.

***We have experienced rapid growth recently, and there can be no assurance that such growth will continue.***

Our revenues have grown rapidly over the last three years, from €7.9 million in 2002 to €39.1 million in 2003 and to €192.4 million in 2004. The future development and success of our business depend in large part on the future general level of demand for personal navigation products and, in particular, on demand for our products. The market for personal navigation products is still developing, with low penetration levels in our target markets. It is difficult to predict both the future growth of the market and the size of our future customer base. Consumer demand for personal navigation products generally, or for our products and services specifically, may fail to grow at anticipated rates. Investors should expect that we may face declining rates of revenue growth going forward. If consumer demand for personal navigation products or for our products and services does not grow as anticipated, or if we lose market share in Europe or elsewhere for any reason, our business, results of operations or financial condition would be materially adversely affected.

***We have recently announced and begun shipping a significant number of new and upgraded products and services and there can be no assurance that such products or services will be successful or that we will effectively manage product transitions.***

We must frequently introduce new and upgraded products and services in order to remain competitive in an industry characterised by frequent technological advances. In general, the successful release of our new and upgraded products and services is contingent upon several factors, including the success of our efforts to predict consumer preferences and cultivate market demand and acceptance, the accuracy of our forecasting and ordering process with our contract manufacturer and our suppliers and the absence of defects or errors in our new products.

We have recently announced and begun shipping a significant number of new and upgraded products and services, including our TomTom GO 300, our TomTom MOBILE 5 smartphone navigation software and our new location-based content and services offering, TomTom Plus. We also recently announced the planned release by the end of the second quarter of 2005 of our TomTom GO 500 and 700 integrated navigation devices, our TomTom Navigator 5 PDA navigation product and an integrated personal navigation product for motorcycles and scooters, the TomTom RIDER later in 2005. We may fail to effectively manage the introduction of these new and upgraded products and services while concurrently phasing our older products out of production. If there is significant delay in the availability and shipment of our new and upgraded products, or if we under-forecast demand for products, we could face unfulfilled consumer demand and the resulting loss of revenues, as well as damage to our reputation and our relationships with distributors and retailers. If significant quantities of our previous-generation products remain on hand at the time of new and upgraded product introductions, or if we significantly over-forecast demand for new products, we could face downward pricing pressure and a resulting loss of revenues and an increase in finished goods inventory and net working capital. Any of the above factors could cause our business, results of operations or financial condition to be materially adversely affected.

In addition, the introduction of new products, together with seasonal demand, significantly increases our working capital requirements. For example, our working capital requirements were significantly higher in the first three quarters of 2004, due primarily to these factors. This caused reductions in our cash balances during this period. If we over-forecast demand for our new products, this could result in excess inventory and materially affect our liquidity position. We expect that our working capital requirements in 2005 will continue to fluctuate significantly from quarter to quarter as a result of the above factors. In addition, we expect our marketing expenses to be significantly higher in 2005 than in prior years, due primarily to our recent and planned product introductions.

Principally as a result of our product introductions, our historical results of operations are not directly comparable and should not be relied upon as an indicator of future performance.

***Growth and expansion may place significant demands on our management and infrastructure, which may restrict our ability to successfully expand our operations.***

Our rapid growth in a relatively short period of time has placed, and may continue to place, significant demands and strains on our resources, our systems, internal controls and our senior management. Our increasing sales have required us to increase the size of our research and development, sales and marketing and administrative staffs, which increased from 45 full and part-time employees as of 31 December 2002 to 196 full and part-time employees as of 31 December 2004. We expect to continue to expand our staff, in particular our research and development staff, in 2005. We have also recently moved our head office to a new office in Amsterdam and opened a new office in Taiwan. Management of our growth will require, among other things:

- continued development of financial and management controls and information technology systems;
- implementation of additional internal controls, including financial and other reporting procedures;
- hiring, training and retention of new personnel;
- maintenance of quality standards and customer satisfaction levels; and
- effective co-ordination among our management, logistical, technical, accounting and finance personnel.

If we are unable to successfully integrate new personnel or systems, or if we otherwise fail to successfully manage our growth, our business, results of operations or financial condition could be materially adversely affected.



***Our revenues, gross margins or results of operations may be subject to fluctuations due to a number of factors, causing our results of operations to decline.***

Our revenues, gross margins or results of operations may fluctuate unpredictably due to a number of factors, including:

- changing customer demand;
- our ability to successfully develop and commercialise new and upgraded products and services;
- the timing of releases of our new and upgraded products and services or those of our competitors;
- our failure to accurately forecast demand for our products;
- the mix of our products sold, the mix of our target customer base and the mix of our sales channels;
- the availability and cost of component parts;
- the potential for product obsolescence in the face of rapid technological change; and
- fluctuations in the US dollar to euro exchange rate.

In addition, the average selling price of a given product tends to decline over the life of the product or in the face of competition. Such a decrease in the average selling price of any of our products could cause a decline in our revenues, gross margins or results of operations if we are unable to offset any such price decline with cost reductions, upgrades or new product innovations that could be sold at a higher average selling price.

***Our revenues are subject to seasonal fluctuations that may cause our results of operations to vary.***

Our revenues are subject to seasonal fluctuations. We generally expect our revenues to be higher in the second and fourth quarters of each year due to higher travel and holiday spending, respectively. However, our recent, rapid growth has largely masked these seasonal fluctuations in our historical results of operations for the years ended 31 December 2003 and 2004. In addition, the timing of the introduction of our new or upgraded products and services may either contribute to or mask any seasonal fluctuations.

***We may not be able to sustain or improve the strength of our brand, and we may consequently experience difficulty in gaining market acceptance.***

An important part of our strategy is to continue to establish a clear and consistent brand across all of our products and in all of our markets. Establishing and strengthening our brand will depend on our success in providing high-quality products and services that are favourably received by our customers. The strength of our brand is also dependent in part on our being a technology leader in the field of personal navigation products, and we cannot be certain that our research and development efforts will continue to be successful in this regard. The strength of our brand also depends, in part, on the products and services of third parties, such as PDA and smartphone manufacturers, over which we have little or no control. Defects, errors or failures in third-party hardware or poor customer service offered by those manufacturers could cause reputational or other damage to our brand. In addition, extending our brand internationally presents other challenges, such as greater brand recognition enjoyed by our competitors outside of Western Europe and the unavailability of consistent trademarks to represent our brand in all of our markets. Moreover, a potential market-entry by a global consumer goods marketer would put pressure on our brand in the personal navigation products market.

If we fail to increase awareness of our brand and to strengthen our reputation for providing smart, easy-to-use and high-quality personal navigation products and services, or if any other factor negatively affects our reputation or our brand image, such as adverse consumer publicity, our business, results of operations or financial condition could be materially adversely affected.

*We depend on a sole contract manufacturer for the production of our integrated products. Any disruption to or termination of our relationship with this contract manufacturer or disruption in its ability to manufacture our products could have a material adverse effect on our business, results of operations or financial condition.*

We do not own or operate a facility to manufacture our products. Instead, we currently rely on a sole third party (our “contract manufacturer”) to manufacture our integrated products and to enable us to maintain appropriate levels of inventory. In addition, certain component parts, such as wired and wireless GPS receivers, are manufactured by other manufacturers. This arrangement reduces our direct control over production. It is uncertain what effect such diminished control will have on the quality or quantity of products manufactured or on our flexibility to respond to changing market conditions. Any disruption in our relationship with our contract manufacturer, including due to insolvency or other financial difficulties on the part of our contract manufacturer, its inability to fulfil its agreed-upon responsibilities on a timely basis, or the interruption of product delivery from its manufacturing facilities to our markets, could, among other things, increase our operating expenses, reduce our profitability, disrupt our inventory levels, increase our time-to-market for new products, harm our distributor or other key customer relationships, reduce our sales or decrease the value of our brand. Although our agreement with our contract manufacturer does not terminate until May 2009, any material change in our contractual arrangements with our contract manufacturer, including a significant increase in non-recurring engineering costs, or any unplanned business interruption, could materially increase our operating expenses, reduce sales of our products and reduce our profitability. If our relationship with our contract manufacturer is significantly disrupted, or if the terms of our contract with our contract manufacturer are subject to material changes, we may need to seek an alternate contract manufacturer. There is no assurance that we would be able to enter into a relationship with an alternate contract manufacturer in a timely manner or on terms commercially acceptable to us or at all.

In addition, our contract manufacturer independently obtains component parts from several third-party suppliers. Although it contracts directly with these component suppliers, we bear the risk of any material disruption in the sources, quantity or quality of component parts available. While these component parts are available from a number of suppliers, due to our need for design consistency, we require our contract manufacturer to rely on a single supplier for most of these component parts. Should any of the suppliers of electronics components to our contract manufacturer prove unable to meet our needs, it could take several months to modify our hardware to accommodate comparable substitute electronic components.

Our contract manufacturer’s facilities are all located in Taiwan or China, which are subject to regional, economic, environmental, medical, earthquake and geopolitical risks. We may also experience quality control issues, delays in shipping or other problems generally associated with doing business in Taiwan or China.

Any disruption to or termination of our relationship with our contract manufacturer or in its ability to manufacture our products would have a material adverse effect on our business, results of operations or financial condition. Our failure to correctly anticipate demand for our products would materially adversely affect our business, results of operations or financial condition.

Based on our forecasts of the number of units we will require, our contract manufacturer orders the requisite component parts from its suppliers 16 to 20 weeks prior to delivery. As the date of delivery approaches, our ability to modify our unit forecast diminishes until we finalise the forecast as a purchase order one month prior to shipment.

If there is significant delay in the availability and shipment of our new and upgraded products, or if we under-forecasted demand for our previous-generation products and thereby suffer from a shortage of products, we could face unfulfilled consumer demand and the resulting loss of revenues, as well as damage to our reputation and our relationships with distributors and retailers. For example, demand for our first-generation TomTom GO devices in the fourth quarter of 2004 and the first quarter of 2005 significantly

exceeded our expectations. As a result, we sold down existing stock of our first-generation GO device more quickly than we had anticipated, and were unable to satisfy all the demand for these devices in the first quarter of 2005 as we had decreased production of our first-generation GO devices to prepare for the release of our second-generation GO devices. We expect forecasting demand will become more difficult as our product portfolio expands and as competition in the market increases.

If we significantly over-forecast the number of units we will need, we could face downward pricing pressure and a resulting loss of revenues and an increase in finished goods inventory and net working capital. Substantial errors in our product forecasts could materially adversely affect our business, results of operations or financial condition.

***Third parties, including certain of our distributors, assemble and ship a significant number of our products, which could result in disruptions to our distribution chain.***

Our logistical partner in Europe receives our products and certain components from our contract manufacturer and other suppliers. We rely on our logistical partner to adequately safeguard, assemble, package, test, localise, ship and track our products to distributors and certain retailers in a timely manner. We rely on our distributors to adequately safeguard, ship and track our products and deliver them to retailers in a timely manner. While in transit or in storage, our products are insured under our transport insurance policy up to a maximum amount of €2.0 million per incident during shipment and €2.0 million annually while in storage. If our products are not adequately protected or managed by our logistical partner or our distributors, our business, results of operations or financial condition could be materially adversely affected.

***We rely on a limited number of suppliers for mapping data and certain component parts, and disruption of these supplier relationships could have a material adverse effect on our business, results of operations or financial condition.***

We depend on the quality and reliability of the products and services provided by our key suppliers and the availability of their products on a timely basis and on acceptable commercial terms. In particular, we rely on Tele Atlas NV (“Tele Atlas”) for the map data in most of our products. Tele Atlas has the right to modify or discontinue its map products with limited notice to us, and we cannot assure you that the map data we currently use in our products will continue to be available. If our agreement with Tele Atlas terminates for any reason, we may be unable to enter into a relationship with another provider of map data on a timely basis or on acceptable terms or at all, which could materially adversely affect our business, results of operations or financial condition.

In addition, we have entered into agreements with Navteq Corporation (“Navteq”) and AND Products BV (“AND”) for map data for some of our products and in certain geographical areas. We could encounter technical difficulties and incur costs associated with adapting our navigation devices to operate using map data provided by Navteq and AND. The map data provided by Tele Atlas, Navteq or AND also could contain serious errors or omissions which could harm our reputation with users of our products or expose us to product liability claims.

In addition, we purchase certain software and component parts for our products directly from third-party suppliers and, in some instances, we rely upon a single supplier for a particular component. Some of these component parts are specifically designed for our use. We have relationships with Acoustic Technologies, Inc. (“Acoustic”), Supa Technology Company Limited (“Supatech”) and AK II Technology Company Limited (“AK2”) for software and various component parts. We also rely on Globalsat Technology Corporation (“Globalsat”) for the development, manufacturing and assembly of our Bluetooth-enabled enhanced GPS receiver.

We also bear a risk of our suppliers infringing on the intellectual property rights of others. This could expose us to liability for products we produce using components from infringing suppliers, or could result in the loss of such suppliers or the seizure of such products.

The success of our products depends on the cost, quality and availability of these and other components. Our reliance on single suppliers for a particular component part creates a risk that we will be unable to negotiate favourable prices with such suppliers or that we will be unable to obtain an adequate supply of the necessary part from alternative suppliers on a timely basis or at all. In addition, if we inaccurately forecast our need for any of these components, we may incur increased working capital requirements due to excess inventory of parts or face a shortage of parts which would hinder our distribution of finished products and thereby harm our relationships with our distributors and with consumers.

Any delay in obtaining, or failure to obtain, the necessary component parts, or any increase in prices for our component parts, could have a material adverse effect on our business, results of operations or financial condition.

***We rely on distributors to sell the bulk of our products, and disruption of these distributor relationships or in the distributors themselves could have a material adverse effect on our business, results of operations or financial condition.***

We are highly dependent on a small number of distributors to distribute our products for resale to retailers. Our two largest distributors, Ingram Micro Inc. ("Ingram Micro") and Mobile Communication Company BV ("MCC"), accounted for approximately 17% and 13%, respectively, of our total revenues in 2004. Our dependence upon Ingram Micro and MCC and our other distributors could adversely affect our sales in a given market if, for example, these distributors reduce levels of inventory of our products, decline to continue carrying our products, fail to cultivate relationships with retailers or fail to carry sufficient levels of our products to meet consumer demand.

Our distribution network in the United States and other markets is not as developed as it is in Western Europe. For example, our sales in the United States to date have been mainly through direct internet sales to consumers, although we are seeking a wider breadth of distribution channels in the United States. There can be no assurance we will be successful in expanding our distribution network and making our products more accessible to consumers in the United States or other new markets.

We have entered into agreements with certain of our distributors and retailers, and we have adopted an inventory valuation compensation policy, whereby we compensate our distributors on a periodic basis for price differences for their stock on hand resulting from price reduction. We also have entered into agreements with some of our distributors and retailers providing them with performance-based discounts. To date, this has not led to material amounts being paid to distributors or retailers, but these agreements could in the future negatively affect our margin following strong price competition or new product introductions.

Many of our distributors, including Ingram Micro and MCC, also sell our competitors' products. These distributors may promote or advertise our competitors' products more extensively than our products. Our competitors also may reach more favourable commercial terms with our distributors. A de-emphasis on our products and more favourable treatment of our competitors' products by our distributors could adversely affect our sales in a given market. If we are unable to maintain successful relationships with our existing distributors, if our value-added distributors fail to promote our products, or if we fail to develop relationships with new distributors, our business, results of operations or financial condition could be materially adversely affected.

***We are exposed to credit risk on accounts receivable from certain of our distributors.***

We sell the bulk of our products through distributors. Most of these distributor relationships are conducted without written contracts, and certain of our distributors have built up considerable trade receivable accounts with us for the delivery of our products. Our trade receivable accounts are not typically covered by collateral or credit insurance, and we therefore bear the risk that our distributors will be unable

to pay against their trade receivable accounts. In the event any of our large distributors are unable to pay against their trade receivable accounts, we could suffer a decline in revenues and profitability. Although we have procedures in place to limit our exposure to credit risk from our distributors, there is no assurance that we will be able to limit our potential loss of revenues from distributors who are unable to pay us in a timely manner.

***We may be unable to manage risks associated with our international operations and with our potential future expansion into new international markets.***

We currently sell our products to consumers in approximately 17 different countries in Europe, plus the United States and Canada, and maintain corporate offices and staff in The Netherlands, the United Kingdom, Taiwan and the United States. In addition, we rely on our contract manufacturer and on other third-party suppliers located in these and other jurisdictions. Accordingly, we face economic, regulatory, legal and political risks inherent in having relationships, operations and sales in other jurisdictions, including:

- limited intellectual property protection in some countries;
- fluctuations in currency exchange rates, in particular between the US dollar and the euro;
- unanticipated changes in laws or regulatory requirements, including tariffs or other barriers to trade;
- general economic conditions, particularly as they impact consumer spending patterns;
- foreign tax consequences;
- potential for longer collection periods and for difficulty in collecting accounts receivable and enforcing contractual obligations;
- price controls;
- protectionist laws and business practices that favour local businesses in certain countries;
- potential for political, legal and economic instability, particularly in Taiwan and China where our contract manufacturer maintains operations;
- challenges caused by distance and linguistic and cultural differences; and
- war, acts of terrorism and other man-made or natural disasters.

Any of these or other factors could have an adverse effect on our sales or costs, on the market acceptance of our products or on our ability to compete in one or more jurisdictions, which could have a material adverse effect on our business, results of operations or financial condition.

We expect to further develop our international operations, which could expose us to new or additional risks and uncertainties, including differing laws and business dynamics. Further international expansion may place significant additional burdens on our senior management or our sales and marketing teams. We also may not be able to process and make available to consumers enriched map data for a new geographic market in a timely or commercially favourable manner, in the native language or without substantial errors. Moreover, our ability to expand successfully depends in part on our establishing sufficient operational resources and infrastructure. Our sales and marketing efforts in a new geographic market may fail to establish a viable distribution network or our products may not gain market acceptance or brand recognition sufficient to offset the costs of geographic expansion. If we fail to properly manage these risks, we may incur higher expenses and lower revenues, and any geographic expansion we undertake could have a material adverse effect on our business, results of operations or financial condition.



***We currently benefit from relationships with certain manufacturers and disruption of those relationships could have a material adverse effect on our business, results of operations or financial condition.***

We have developed relationships with major PDA manufacturers, including Hewlett-Packard (“HP”) and palmOne, Inc. (“Palm”), to sell our TomTom Navigator software products in co-branded bundles with their PDA hardware. In addition, we have recently entered into agreements with Nokia Oyj (“Nokia”) to sell our TomTom MOBILE 5 software product in co-branded bundles with their smartphone handsets. To date, these bundling relationships have been entered into on a local or regional level on a short-term basis, and have not been subject to any written agreement. There can be no assurance that market conditions will remain favourable for these bundling relationships, or that a significant dispute will not arise between ourselves and any of our third-party bundling partners. Any of our third-party bundling partners could at any time opt to form similar relationships with our competitors or could themselves become our competitors. Technical or other incompatibilities also may arise between our products and their hardware. Defects, errors or failures in PDA or smartphone hardware or poor customer service offered by employees of the PDA or smartphone manufacturers could cause reputational or other damage to our brand. Any of these factors could adversely affect our business, results of operations or financial condition.

We intend to continue to expand our distribution channels, and may introduce new products tailored to specific distribution channels. For example, we plan to sell to garages that offer professionally installed dealer-fitted navigation systems for cars, and have recently entered into relationships with certain automotive manufacturers, including Toyota Motor Corporation (“Toyota”) and Adam Opel AG (“Opel”), to provide our products in their vehicles. These relationships may fail to develop on commercially favourable terms or at all, and the loss of new distribution channels could adversely affect our business, results of operations or financial condition.

***We may not be able to protect our intellectual property.***

We rely on a combination of trademarks, tradenames, confidentiality and non-disclosure clauses and agreements, copyrights and registered and unregistered design rights to define and protect our rights to the intellectual property in our products. No patents have been granted for our technology to date. However, we have filed a number of patent applications for certain ancillary technology related to our navigation devices and in the future we intend to make patents part of our intellectual property protection. We cannot assure you that any of our registered or unregistered intellectual property rights, or claims to such rights, will now or in the future successfully protect what we consider to be our intellectual property from third party use in any or all of the jurisdictions in which we do business, or that our registered or unregistered rights subsequently will not be successfully challenged.

To the extent that our innovations and products are not protected by patents, copyrights or other intellectual property rights in any of our key markets, third parties (including competitors) may be able to commercialise our innovations or products or use our know-how. In addition, to the extent we do not register, have not registered or have not been granted trademarks or other intellectual property rights in certain jurisdictions it may be possible for third parties to obtain conflicting trademarks or other intellectual property rights that would otherwise be limited or blocked by our applications and registrations. There are also numerous patents covering various aspects of GPS technology, including a number held by competitors or potential competitors. Such patents or other intellectual property rights could be necessary for, or useful to, the marketing, manufacture or use of our products and the lack of such rights could limit our ability to continue to sell or develop our products, force us to create a new brand image, or prevent us from marketing our products. We may also be forced to pay damages or royalties for our past use of such intellectual property rights, as well as royalties for any continued usage. In addition, legal protection of our intellectual property rights in one country will not provide protection in certain other countries where we operate, including China and Taiwan where our TomTom GO products are manufactured. We need to secure patents or other registrable intellectual property rights in all countries in which we intend to operate in order to have such protection.



The laws of many countries do not protect intellectual property rights to as great an extent as those of Western Europe or the United States. Effective protection of our intellectual property rights may be unavailable or limited in certain foreign countries. For example, many countries, particularly certain developing countries, do not favour the aggressive enforcement of trademarks, patents and other measures to protect intellectual property. Limited intellectual property rights (whether because we do not have a registration or because the laws of some countries are limited) make piracy and misappropriation, which we have already experienced on occasion, more difficult to prevent. Moreover, even when we do have adequate intellectual property rights to stop an infringer, we may lack the resources to detect all infringements or to trace the source of the infringement.

#### *Trademarks*

Because much of the technology used in our products is not protected by intellectual property rights, we must build a strong brand image which will be protected primarily under trademark law. We hold registered trademarks, which currently comprise a significant portion of our intellectual property protection, or have trademark applications pending in all the key countries in which we operate for our company logo and several other distinctive names and images. We cannot assure you that we will be able to use our trademarks and logos in any countries in which they are not registered. In addition, we may be subject to challenges to our ability to use our trademarks and logos or may be unable to prevent others from using similar trademarks or logos, even if we have registrations. If a party has a right to similar trademarks or logos which is superior to ours, we may not be able to use our trademarks or logos at all, or without paying a royalty or altering such trademarks or logos to eliminate the similarity. As of the date hereof, we know of opposition existing to our trademark applications for the mark “TomTom” in Spain. Such opposition has resulted in a partial refusal to register this trademark in Spain and may result in a full refusal if our opponent’s appeal is granted. Our trademark applications with the US Patent and Trademark Office have been temporarily refused by the examiner due to a possible conflict with a pre-existing application. The pre-existing application belongs to the same party that has filed opposition in Spain.

#### *Trade Secrets*

Much of our technology and many of our processes depend upon the knowledge, experience and skills of our personnel. To protect rights to our proprietary know-how and technology, we generally require all employees, contractors, consultants and advisors to enter into confidentiality agreements that prohibit the disclosure of confidential information. The agreements with employees and consultants also require disclosure and assignment to us of ideas, developments, discoveries and inventions. These agreements may not effectively prevent disclosure of our confidential information, provide meaningful protection for our confidential information or assign to us all such intellectual property rights. The enforceability of these agreements also varies from jurisdiction to jurisdiction. In addition, our remedies may be limited against any disclosures in breach of these agreements and it is difficult to police disclosures by employees who leave our employment. In some jurisdictions, such as the United States, failure to take action to protect our trade secrets could cause us to lose protection for some of our core innovations.

#### *Patent Applications*

We are without patent protection for certain of our most important product innovations, including our NavCore software platform. Based on our patent programs (see “Business—Intellectual Property—Patent Applications and Trade Secrets”), we have started to seek protection for various aspects of our more recent innovations and hope in the future to make patents a more important part of protecting our intellectual property. We currently have four published and three unpublished patent applications pending in the UK and one published in the United States for our innovations in the areas of screen interface functionality, memory storage and docking technology. We have also filed corresponding applications under the Patent Cooperation Treaty (“PCT”) for the UK patent applications on the basis of which we

intend to apply for national patent protection in several PCT member countries. In addition, in February and March 2005 we filed two as yet unpublished PCT patent applications with respect to certain ancillary features of our existing products. We face the risk that one or more of these pending patent applications or possible future applications may be refused. We also face the risk that any of our future patents, once granted, may be challenged or circumvented or may otherwise not provide protection for any products we develop. Moreover, patent rights are only recognised in the jurisdiction in which they were issued and do not provide any assurance that we can prevent any activities elsewhere by third parties which we perceive to be infringements. All of our future patents and current and future patent applications may be subject to interference, re-examination, opposition or other comparable proceedings in the relevant patent offices or national courts, which proceedings could result in, among others, loss of the patent or refusal of the patent application or loss or reduction in the scope of one or more of the claims of the patent or patent application. In addition, such interference, re-examination, opposition or other comparable proceedings may be costly. In the event that we seek to enforce any of our future patent rights against third parties, it is likely that they will seek to invalidate the patents we assert, which, if successful, would result in the entire loss of such patents or the relevant portion thereof. Any litigation to enforce or defend our future patent rights, even if we were to prevail, could be costly and time-consuming and would divert the attention of our management and key personnel from our business operations.

### *Copyright*

In principle, the software code we use in our products, which is the bulk of our technology, should be protected by copyright law. The EU has issued a directive on the legal protection of computer programs, pursuant to which a computer program will be given copyright protection when the “form of expression” (i.e., the source or object code) is “original”, in that it is the author’s own intellectual creation. This protection does not, however, extend to the ideas or principles underlying the program. Moreover, while the directive has been or should have been implemented in the national copyright laws of EU member states, differences may exist in the extent of the protection available under these national laws. Outside the EU, copyright protection for the software may be even more limited, such as in the United States, where we cannot collect damages for infringements without registering our copyrights, which we have not done. In some jurisdictions copyright protection may not be available to us at all. We may also face difficulties in any attempt to block the production, sale and distribution of pirated copies of our products or software.

### *We may be faced with claims that we infringe the intellectual property rights of others.*

We have faced in the past and may in the future face claims that we are infringing the intellectual property rights of others. It is likely that in the future we will encounter situations and allegations which will require us to determine whether we need to license a technology or face the risk of defending an infringement claim. If any of our products is found to infringe the patents or other intellectual property rights of others, our development, manufacture and sale of such products could be severely restricted or prohibited. Patent and other intellectual property litigation can involve complex factual and legal questions and its outcome is uncertain. Any claim relating to infringement of patents that is successfully asserted against us may require us to pay substantial damages. Even if we were to prevail, any litigation could be costly and time-consuming and would divert the attention of our management and key personnel from our business operations. Furthermore, as a result of an intellectual property infringement suit brought against us or our strategic partners or licensees, we or our strategic partners or licensees may be forced to stop or delay developing, manufacturing or selling products that are claimed to infringe a third party’s intellectual property rights unless that party grants us or our strategic partners or licensees rights of use. In such cases, we may be required to obtain licenses to patents or proprietary rights of others, which may not be available on acceptable terms or at all, or to modify our products to avoid incorporating such patents or proprietary rights, which may not be possible, in order to continue to sell our products. Even if our strategic partners, licensees or we were able to obtain rights to the third party’s intellectual property, these rights may be non-exclusive, thereby giving our competitors access to the same intellectual property. Ultimately, we may

incur significant additional costs or be unable to develop and market some of our products or may have to cease some of our business operations as a result of patent or other intellectual property rights infringement claims, which could severely harm our business.

The TomTom GO application software operates on the open source platform, Linux. Certain improvements that we make to the platform must be disclosed and provided to the open source community. Pursuant to an open source license, we have been required in the past to disclose and make available information which we were not aware should have been considered a part of the open source platform. There are disputes from time to time regarding the use of open source code which may mean that we have incorporated code into our products which is not free to the public and may require us to stop using or alter the products in which the code is incorporated and pay royalties, including for our prior use of such code.

***We may be subject to damages resulting from claims that we or our employees have wrongfully used or disclosed alleged trade secrets, proprietary information or confidential intellectual property of their former employers.***

Many of our employees were previously employed at software technology companies, including our competitors or potential competitors. Although no claims against us are currently pending, we may be subject to claims that these employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information or confidential intellectual property of their former employers. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management. If we fail in defending such claims, in addition to paying money claims, we may lose valuable intellectual property rights or personnel. A loss of such intellectual property rights or key research personnel or their work product could hamper or prevent our ability to market certain products, which could severely harm our business.

***Our infrastructure systems could face serious disruptions which could adversely affect our business.***

Our information technology, telecommunications and other infrastructure systems, including our location server which provides traffic and other information to our customers, face the risk of failure which could seriously disrupt our operations. Although we have disaster recovery plans in place, our operations and our information technology, telecommunications and other infrastructure systems are vulnerable to damage and interruption. A significant disruption in the availability of our information technology, telecommunications or other infrastructure systems could cause interruptions in our service to customers, loss of or delays in our research and development work and our product shipments or affect our distributor and consumer relationships.

***We are subject to risks resulting from defects to our products as well as returns and warranty expenses.***

We develop complex hardware and software products which may contain defects in design or manufacturing or other errors or failures. This is particularly a risk with new or upgraded products or services, such as our new TomTom GO products, where our quality control procedures or those of our contract manufacturer may fail to test for all possible conditions of use, or to identify all defects in the design, engineering or specifications of our products. Since all of our products rely on our NavCore software platform, any software “bug” or other defect in NavCore would affect all of our products. As a result of any such software “bug” or other defect, our customers could be supplied with faulty or inaccurate navigation instructions or incomplete map data, or could be relying on a malfunctioning or nonfunctioning product. In addition, quality control and procedures for testing and manufacturing to our specifications are largely in the hands of our contract manufacturer, and we retain liability for failure in production caused by defective product design or error.

Defects in any of our products due to these or other factors, or a high level of returns due to general customer dissatisfaction not related to defects, could result in diminished market acceptance for our products, a weakening of our brand, product recalls in one or more of our markets or claims for money damages. Recalls also may be costly and divert management's attention from the operation of our business. Generic or specific defects could require us to incur substantial expenses relating to product returns, replacements and repairs under our warranty program. We forecast a certain product failure rate for our products and record a provision for the costs related to such forecasted failure. If the failure rate of our products is substantially above such forecasts, we would face increased cost of sales. Material defects in any of our products could thus result in decreasing revenues, increased operating costs and the possibility of significant consumer products liability, which could result in a material adverse effect on our business, results of operations or financial condition.

***Product liability claims against us may result in protracted litigation, money damages or other costs, and divert management's attention from operating our business.***

Product liability claims present a risk of protracted litigation, substantial money damages, attorneys' fees, costs and expenses and diversion of management's attention from the operation of our business. The use of map data by and provision of route instructions to vehicle drivers carries an inherent risk of product liability claims and associated adverse publicity. Claims could be made by users of our products if errors or defects in map data, route instructions or other information are alleged to cause loss or harm. Although we have not had any product liability claims brought against us to date, we cannot assure you that such claims will not be brought in the future. We are required to indemnify our principal map data providers against third-party claims for losses, damage or personal injury arising from the use of such map data in our products. We attempt to mitigate the risks of product liability claims through the use of disclaimers, limitations of liability and similar provisions in our other licence agreements. However, we cannot assure you that any of these provisions will prove to be effective barriers to product liability claims. In addition, although we carry insurance in relation to product liability claims, such claims may not be covered by our policy or may exceed our policy limits.

***Our business depends on our ability to attract, integrate and retain key managerial, research and development and sales and marketing personnel.***

The success of our business depends upon attracting, integrating and retaining qualified personnel in senior management, research and development and sales and marketing. Competition for qualified personnel in these fields is intense, and there may be a limited number of persons with the requisite skills to serve in those positions. The loss of any of the members of our senior management, in particular our CEO, Harold Goddijn, our Chief Operating Officer, Alexander Ribbink, our Chief Financial Officer, Marina Wyatt, our Sales Director, Corinne Goddijn-Vigreux (who is married to our CEO), our Chief Technical Officer, Peter-Frans Pauwels, our Technical Development Director, Pieter Geelen or our Development Director, Mark Gretton, could materially adversely affect our business. In addition, if we are unable to retain senior research and development or sales and marketing personnel, or to increase our pool of talented personnel to keep pace with our overall rate of growth, our business could suffer.

***We are exposed to risks associated with operations in multiple currencies.***

We conduct our business in multiple currencies, including the euro, the pound sterling and the US dollar. We currently sell our products in Europe, the United States and Canada, and our TomTom GO product is manufactured in Taiwan and China. Currently, the majority of our revenues are in euros. This may change over time as we continue to expand our international operations. Because our agreements with our contract manufacturer and certain other suppliers are in US dollars, a substantial portion of our cost of sales is in US dollars, while the majority of our operational expenses are in euros.

Our principal currency transaction risk arises from the consequence of our revenues being nearly entirely in euros and pounds sterling and our cost of sales being significantly in US dollars. Our UK sales are supported from The Netherlands and incur expenses almost entirely in euros while generating revenue in pounds sterling. We attempt to manage these currency transaction risks by converting sufficient cash flows in pounds sterling and euros to US dollars to satisfy our US dollar-denominated expenses.

Our principal currency translation risk arises from the fact that the financial records of our subsidiaries in the United Kingdom and the United States are maintained in pounds sterling and US dollars, respectively. Upon preparing consolidated financial statements, our euro-denominated consolidated reported financial results can be affected by changes in the relative value of the pound sterling and the US dollar against the euro. Moreover, fluctuations in currency values distort period-to-period comparisons of financial performance.

In the event of a significant and sustained change in the relative value of any of the currencies in which we do business, our suppliers may request or our customers may experience price increases in their national markets. Such increases could result in decreased margins and decreased sales.

Given the high volatility of currency exchange rates, there can be no assurance that we will be able to effectively manage our currency risk to minimise its impact on our business. Our exposure to currency transaction risk and currency translation risk could have a material adverse effect on our business, results of operations or financial condition.

In 2004, we entered into an average rate call option with Rabobank, in order to limit the principal currency transaction risk arising from the mismatch of our sales in euros and pounds sterling and our cost of sales in US dollars. The average rate call option was designed to cover any appreciation of the US dollar against the euro. Under its terms, the average exchange rate of the US dollar was calculated over a fixed period of twenty-six weeks. If and to the extent that the average exchange rate was higher than the agreed exercise price, Rabobank reimbursed us for the difference between the average exchange rate and the agreed exercise price. This agreement expired in December 2004.

We recently entered into forward exchange contracts to buy forward our US dollar and pound sterling requirements in accordance with our policy to put in place six months of cover on average for our foreign currency requirements. We may also continue to use option instruments to try to mitigate the impact of exchange rate risk.

***We may fail to effectively identify or execute strategic acquisitions, joint ventures or investments, and if we do pursue such transactions we may fail to successfully integrate them into or realise anticipated benefits to our business in a timely manner.***

We may selectively pursue opportunities to acquire, form joint ventures with or make investments in businesses, products, technologies or innovations which complement our business and growth strategy. We may not be able to identify suitable candidates for such acquisitions, joint ventures or investments, or if we do identify suitable candidates, we may not be able to complete any transaction on acceptable terms, or at all. Any acquisitions, joint ventures or investments we may pursue in the future could entail risks including:

- difficulties in realising cost, revenue or other anticipated benefits from the acquired entity or investment, including the loss of key employees or intellectual property from the acquired entity, joint venture or investment;
- costs of executing the acquisition, joint venture or investment, both in terms of capital expenditure and increased management attention;
- potential for undermining our growth strategy, our customer relationships or other elements critical to the success of our business;
- liabilities or losses resulting from our control of the acquired entity, joint venture or investment; or
- adaptation of acquired hardware or software with our brand.



If we pursue acquisitions, partnerships or investments in the future and fail to successfully integrate them, our business, results of operations or financial condition could be materially adversely affected.

***We may require additional capital in the future, which may not be available to us. Future financings to provide this capital may dilute your ownership in us.***

We may raise capital in the future through public or private debt or equity financings by issuing additional shares or other preferred financing shares, debt or equity securities convertible into our shares, or rights to acquire these securities, and exclude the pre-emption rights pertaining to the then outstanding shares. We may need to raise this additional capital in order to:

- take advantage of expansion opportunities;
- acquire, form joint ventures with or make investments in complementary businesses or technologies;
- develop new products or services; or
- respond to competitive pressures.

Any additional capital for these or other purposes raised through the sale of additional shares may dilute your percentage ownership interest in us. Furthermore, any additional financing we may need may not be available on terms favourable to us or at all, which could adversely affect our future plans.

#### **Risks Relating to the Industry**

***We operate in a highly dynamic and competitive industry. If we are unable to compete effectively with our existing or any new competitors, our business, results of operations or financial condition could be materially adversely affected.***

The market for satellite navigation products in each of the geographic markets in which we operate is highly dynamic and competitive, and we expect competition to increase as new companies target this market in response to the low market penetration rate of satellite navigation products generally and a perceived potential for growth in this market.

Many of the current and potential future competitors for our products are large, well-known companies with greater financial, technical and human resources than our own and with stronger brand names. Companies with more resources and larger research and development expenditures also have a greater ability to fund product research and development and capitalise on potential market opportunities and greater distribution capability. Currently, we consider our principal competitors for our TomTom GO products to be Garmin Limited (“Garmin”), Navman NZ Limited (a subsidiary of Brunswick Corporation) (“Navman”) and the Magellan line of products produced by Thales Navigation, Inc. (“Magellan”), all of which compete with us in the European and United States markets for personal navigation products. Our products will likely also face competition in key markets from low-priced GPS-based personal navigation products offered by our existing competitors or potential new market entrants, some of whom use low-cost third-party manufacturers in Asia and elsewhere to produce their products.

Also, vehicle manufacturers, dealers, garages and professional installers currently market and install navigation products produced by third-parties. We expect the proportion of vehicles with factory-installed or dealer-fitted navigation systems to increase in the future, and this may significantly reduce demand for personal navigation products such as our own. In particular, if vehicle manufacturers are able to develop or acquire new navigation technology while reducing costs, lowering prices, decreasing time-to-market for new satellite navigation products or entering into significant relationships with our competitors, we could face significantly increased competition for our products.



All of our products also face competition from navigation products that use “off-board” technology, a competing technology which makes use of navigation data stored on a network and can consequently be used by mobile phones with installed java capability or web browsers. Certain of our competitors offer off-board personal navigation products to consumers. We could face additional competition for all our products from this technology, especially if the cost of data transmission over mobile networks declines significantly.

In addition, certain large consumer electronics or telecommunications companies may seek to take advantage of the opportunities presented by the market for satellite navigation products and enter our markets. These companies are typically able to leverage their size, brand strength, research capabilities and distribution networks to compete effectively in new markets. If these companies enter our market, we could face significantly increased competition for our products.

There can be no assurance that our products will compete successfully against current or new market entrants or competing technologies, which would materially adversely affect our business, results of operations or financial condition.

For additional information about the competitive environment in which we operate, see “Business—Competition.”

***Our products depend on the reliable operation of GPS satellites which may become inoperable, unavailable or not replaced.***

In all our product lines, we depend on GPS satellite transmissions to provide position data to our customers. GPS satellites are funded and maintained by the US government, and we have no control over their maintenance, support or repair. The free use and availability of GPS signals to the level of accuracy required for commercial use depends on the discretion of the US government, which may terminate or restrict GPS signals for any reason, such as national security, and at any time, without providing notice or compensation to users. We cannot assure you that GPS signals will be available for the use of our products or that the US government will not begin charging a fee for use of these signals. Restrictions on the use of GPS transmissions or an end to the free use of GPS signals could significantly disrupt our business or increase our costs. In addition, should a significant number of the GPS satellites become obsolete, unusable or not be upgraded as planned, there could be a significant deterioration in the reliability, accuracy or utility of the entire GPS network. Interruptions or disruptions in GPS signal transmission or reception, including those caused by heat-reflective windscreens used in certain vehicles which may disrupt GPS signal reception, could materially degrade the position accuracy that our products provide.

If the use, reliability or accuracy of GPS satellite positioning data is degraded or terminated for these or other reasons, our business, results of operations or financial condition would be materially adversely affected.

***We are dependent on the availability of certain bands allocated within the radio frequency spectrum, and any reallocation of these bands could cause interference with the reception of GPS signals.***

Our GPS technology depends on GPS signals that are carried on radio frequency bands specifically allocated on a global basis to carry satellite navigation information. Any change in the allocation of these radio frequency bands, including the segmentation or sharing of certain bands, could interfere with GPS signal transmission and consequently make it more difficult for our products to provide effective and accurate position information to our customers. In addition, signals from other satellites or ground equipment that are transmitted in adjacent frequency bands could materially degrade the quality of the GPS signals carried in the assigned radio frequency bands, thereby undermining the effectiveness of our products.

Any degradation in the reliability, strength or accuracy of GPS signals could have the effect of reducing our sales and have a material adverse effect on our business, results of operations or financial condition.

***We may be impacted by the European RoHS and WEEE Directives.***

The EU has adopted the Waste Electrical and Electronic Equipment Directive (the “WEEE Directive”), regulating the disposal of certain electronic products, and the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive (the “RoHS Directive”), prohibiting the use of certain chemicals in certain electronics products. The WEEE Directive must be implemented into the law of EU member states by 13 August 2005, and the RoHS Directive requires EU member states to enact laws that will affect consumer electronics products sold after 1 July 2006. In ensuring our procedures, practices and products comply with both the WEEE and the RoHS Directives, we may need to modify the design of certain of our hardware products, substitute new components or change our product disposal and repair procedures. If we are unable to comply fully with these Directives, we could be subject to substantial fines and be exposed to potential liability claims by customers or third parties, which could have a material adverse effect on our business, results of operations or financial condition.

***Our markets are characterised by rapid technological change, which could render our products obsolete and could cause us to make substantial expenditures to replace our products.***

Satellite navigation technologies are undergoing rapid innovation and change. Evolving technological conditions require us to continuously modify our products and develop new products to remain competitive, attract new customers and maintain our time-to-market advantage and market reputation. We also must continue to assess the projected development of the market for navigation technologies and to accordingly develop and manufacture our product offerings. There is no assurance that we will have the financial or other resources required to successfully modify our existing products or produce new products in a timely manner, or that any products we do introduce will gain market acceptance. If we are unable to keep pace with technological change and introduce new products on a timely basis or remain competitive within our markets, our business, results of operations or financial condition would be materially adversely affected.

***Increased governmental regulation may place additional burdens on our business.***

Although we do not believe governmental regulation has had a material adverse effect on our business and operations to date, it is possible that we will experience the effects of increased regulation in the future. In Europe, the United States or other jurisdictions, the combination of heightened security concerns and the increase in the breadth and accuracy of the map databases we licence could result in more restrictive laws and regulations, such as export control laws, being applied to such databases. In addition, automobile safety initiatives may result in restrictions being placed on our products. Policies favouring local companies and other regulatory initiatives may result in export control laws, increased customs duties and other restrictions placed on our ability to conduct operations in various countries throughout the world. Any of these occurrences could materially adversely affect our ability to complete, improve, licence or distribute our products, which could result in a competitive disadvantage for us and the possible loss of customers and revenue.

***Personal privacy concerns may limit the growth of consumer GPS products.***

Concerns have been raised by the possibility that GPS-based satellite navigation products could be used to violate personal privacy by potentially making available a record of a person’s geographical location to others. The technological potential of our current or future products may create similar concerns in the general public. If these or other problems with public opinion arise in connection with our

products or in the industry, our business, results of operations or financial condition could be materially adversely affected.

### **Risks Relating to the Global Offer**

*There has been no prior market for our ordinary shares, the price of the Shares may be volatile and you may not be able to sell the Shares at or above the price you pay for them.*

Prior to the Global Offer, there has been no public market for our ordinary shares. We have applied to have our ordinary shares listed on Eurolist by Euronext. We cannot predict the extent to which an active market for the Shares will develop or be sustained after the Global Offer, or how the development of such a market might affect the market price for the Shares. An illiquid market for the Shares may result in lower trading prices and increased volatility, which could adversely affect the value of your investment.

The Offer Price has been agreed between us and the Underwriters based on a number of factors, including market conditions in effect at the time of the Global Offer, that may not be indicative of future performance. The market prices of securities of technology companies such as ours have historically been very volatile, and the market price for the Shares may fall below the Offer Price. The market price of the Shares could also fluctuate substantially due to a number of factors, including, but not limited to:

- consumer demand for satellite navigation products generally;
- market acceptance of our products;
- our ability to successfully develop or commercialise new products or upgrades;
- fluctuations in our quarterly or yearly results of operations;
- any legal or regulatory proceeding involving us, or our intellectual property;
- disruption or termination of our relationships with our contract manufacturer or key distributors, suppliers or retailers;
- changes in key management, research and development or sales and marketing personnel;
- fluctuations in currency exchange rates, in particular between the US dollar and the euro;
- changes in the economic performance, conditions or market valuation of our competitors;
- the release of new products by, or other business developments of, our competitors;
- the issue of additional ordinary shares by us or a significant increase in our debt obligations;
- publication of research reports about us or the satellite navigation industry by securities or industry analysts;
- failure to meet or exceed securities analysts' expectations relating to our financial results;
- speculation in the press or investment community generally;
- general economic conditions, particularly as they impact consumer spending patterns; and
- war, acts of terrorism and other man-made or natural disasters.

In the past, following periods of volatility in the market price of a company's securities, securities litigation has often been instituted against such companies. This type of litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources. In addition, the Shares may not be traded actively following the Global Offer.

***If closing of the Global Offer does not take place on the Settlement Date or at all, subscriptions for the Shares will be disregarded and transactions effected in the Shares will be annulled.***

Application has been made to list all our ordinary shares on Eurolist by Euronext under the symbol “TOM2”. We expect that our ordinary shares will first be admitted to listing on a provisional basis (*voorlopige notering*) and that trading in such shares will commence prior to the Global Offer on the Settlement Date. The Settlement Date, on which the closing of the Global Offer is scheduled to take place, is expected to occur on or about 1 June 2005, the third business day following the date on which trading is expected to commence (T+3). The closing of the Global Offer may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement (see “Plan of Distribution”) are not satisfied or waived or occur on or prior to such date. Such conditions include the receipt of officers’ certificates and legal opinions and such events include the suspension of trading on the Stock Market of Euronext Amsterdam or a material adverse change in our financial condition or business affairs or in the financial markets. Trading in the shares before the closing of the Global Offer will take place subject to the condition subsequent (*ontbindende voorwaarde*) that, if closing of the Global Offer does not take place on the Settlement Date or at all, the Global Offer will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and transactions on the Stock Market of Euronext Amsterdam NV will be annulled. All dealings in the Shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext does not accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the Global Offer and/or (the related) annulment of any transactions on the Stock Market of Euronext Amsterdam NV.

***Following the Global Offer, the Selling Shareholders will own a substantial majority of the Shares, and thus other shareholders will be able to exercise less than total influence over our business.***

After the Global Offer, the Selling Shareholders, taken as a group, will own approximately 75% of our shares, assuming no exercise of the Over-allotment Option.

Because the Selling Shareholders will own a substantial majority of the Shares and could act together, investors may not be able to exercise as much influence over the business as they might otherwise. The Selling Shareholders could have the ability to exercise substantial influence over the election and removal of members of the Management Board and will have sufficient voting power to, among other things, delay, deter or prevent a change of control, which could deprive you of an opportunity to earn a premium for the resale of your Shares. The Selling Shareholders are, moreover, parties to a Shareholders Agreement, pursuant to which each of them has agreed to maintain, directly or indirectly, at least 10% of our issued and outstanding share capital as of the Settlement Date, for a period of at least three years from the Settlement Date. In addition, certain of our directors and members of senior management are beneficially interested in each of the Selling Shareholders. Given their share ownership, their three-year commitment to maintaining significant holdings of our shares and the management positions of the beneficially interested persons, the Selling Shareholders will have the ability to significantly influence our operations and affairs. Their interests may differ from the interests of other shareholders. As a result, the market price of the Shares could be adversely affected.

***Management has broad discretion over the use of the net proceeds received by us from the Global Offer and may not apply the net proceeds effectively or in ways in which you agree.***

Our senior management has broad discretion over the use of net proceeds from the sale of New Shares in the Global Offer. We intend to use the net proceeds from the Global Offer primarily for general corporate purposes, including research and development of new products and technologies, international expansion, and for working capital. In addition, we may use a portion of the net proceeds to acquire or invest in businesses, products, technologies or innovations that complement our business and growth strategy. Our senior management will have considerable discretion in allocating the net proceeds. You will

not have an opportunity, as part of your investment decision, to assess whether the net proceeds received by us are being used appropriately. We cannot assure you that senior management will apply the net proceeds effectively or that the net proceeds will be invested to yield a favourable return.

***Future sales, or the possibility of future sales, of a substantial amount of the Shares may depress the price of the Shares.***

Future sales of the Shares, or the perception that such sales will occur, could cause a decline in the market price of the Shares. Upon completion of the Global Offer, 107,142,857 of our total ordinary shares will be outstanding, including 80,357,143 ordinary shares owned by the Selling Shareholders, assuming no exercise of the Over-allotment Option. In connection with the Global Offer, we and the Selling Shareholders have agreed to certain restrictions on the sale or other disposition of our ordinary shares or securities exchangeable or convertible into, or exercisable for, our ordinary shares for periods of 180 and 360 days, respectively, from the date of commencement of trading in the Shares, except with the prior written consent of the Joint Global Coordinators and Joint Bookrunners, and certain other exceptions. See “Plan of Distribution—No Sales of Similar Securities”. We cannot predict whether substantial numbers of the Shares will be sold in the open market following the expiry of the 180- and 360-day periods. In particular, there can be no assurance that after this period expires, the Selling Shareholders will not reduce their holdings of our shares. Future sales of our shares could be made by us, the Selling Shareholders or through a capital increase undertaken by us to fund an acquisition or for another purpose. A sale of a substantial number of our shares, or the perception that such sales could occur, could materially and adversely affect the market price of the Shares and could also impede our ability to raise capital through the issue of equity securities in the future.

***We will incur increased expenses as a result of being a public company.***

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. For example, as a result of becoming a public company, we have recently appointed four members of a Supervisory Board, hired a chief financial officer and adopted additional policies regarding internal controls and procedures. In addition, we will incur increased costs associated with public company reporting requirements in The Netherlands. See “Description of Share Capital and Corporate Governance—Corporate Governance—Dutch Corporate Governance Code”.

***US and other non-Dutch holders of the Shares may not be able to exercise pre-emption rights.***

In the event of an increase in our share capital, holders of the Shares are generally entitled to certain pre-emption rights unless these rights are excluded by a resolution of the General Meeting of Shareholders or of the Management Board, if so designated by the General Meeting of Shareholders or pursuant to our Articles of Association. See “Description of Share Capital and Corporate Governance—Share Capital—Pre-emption Rights”.

In particular, US holders of the Shares may not be able to exercise pre-emption rights unless a registration statement under the Securities Act is declared effective with respect to the shares issuable upon exercise of such rights or an exemption from the registration requirements is available. We intend to evaluate at the time of any rights issue the cost and potential liabilities associated with any such registration statement, as well as the indirect benefits and costs to us of enabling the exercise by US holders of their pre-emption rights for the Shares and any other factors considered appropriate at the time, and then make a decision as to whether to file such a registration statement. No assurance can be given that any registration statement would be filed or that any exemption from registration would be available to enable the exercise of a US holder’s pre-emption rights.

***If securities or industry analysts do not publish research or reports about our business, or if they change their recommendations regarding the Shares adversely, the Share price and trading volume could decline.***

The trading market for the Shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us or our industry downgrade the Shares, the market price of the Shares would likely decline. If one or more of these analysts ceases coverage of us or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause the market price of the Shares or trading volume to decline.

***As a new investor, you will experience immediate and substantial dilution in the net tangible book value of your Shares.***

The Offer Price of the Shares is considerably more than the net tangible book value per share of our outstanding shares. Accordingly, investors purchasing Shares in the Global Offer will pay a price per share that substantially exceeds the value of our assets after subtracting liabilities.

In addition, we may raise capital in the future through public or private debt or equity financings by issuing additional shares or other preferred financing shares, debt or equity securities convertible into our shares, or rights to acquire these securities, and exclude the pre-emption rights pertaining to the then outstanding shares. If we raise significant amounts of capital by these or other means, it could cause dilution for our existing shareholders. Moreover, the sale of our shares could have a negative impact on the trading price of our shares and could increase the volatility in the market price of the Shares.

***We do not intend to pay dividends for the foreseeable future.***

We do not intend to pay any dividends for the foreseeable future. Payment of future dividends to shareholders will effectively be at the discretion of the Management Board, subject to the approval of the Supervisory Board after taking into account various factors including our business prospects, cash requirements, financial performance, new product development and plans for international expansion. See “Description of Share Capital—Share Capital—Dividends and Other Distributions”. In addition, payment of future dividends may be made only if our shareholders’ equity exceeds the sum of our called up and paid-in share capital plus the reserves required to be maintained by law and by our Articles of Association. Accordingly, investors cannot rely on dividend income from the Shares and any returns on an investment in the Shares will likely depend entirely upon any future appreciation in the price of the Shares. We can provide no assurance that the price of the Shares will appreciate after the Global Offer or that the market price for the Shares will not fall below the Offer Price.

***Dutch law and our Articles of Association contain anti-takeover provisions that may prevent or discourage takeover attempts that may be favourable to shareholders.***

Like other companies in The Netherlands, our Articles of Association have anti-takeover provisions that may have the effect of preventing, discouraging or delaying a change of control. The *Stichting Continuïteit* TomTom (the “Foundation”) is entitled to acquire from us, and we may demand that the Foundation acquires from us, preference shares up to a maximum of 50% of our total issued and outstanding share capital, excluding issued and outstanding preference shares. The issuance of preference shares in this manner would cause substantial dilution to the voting power of any shareholder, including a shareholder attempting to gain control of us, and could therefore have the effect of preventing, discouraging or delaying a change of control that might have otherwise resulted in an opportunity for shareholders to sell the Shares at a premium to the then-prevailing market price. See “Description of Share Capital and Corporate Governance—Share Capital—Preference Shares and *Stichting Continuïteit* TomTom.” This anti-takeover measure may have an adverse effect on the market price of the Shares.



## **DIVIDEND POLICY**

We currently intend to retain future earnings, if any, to finance the growth and development of our business. As a result, we do not anticipate paying any dividends for the foreseeable future.

Our dividend policy will, however, be reviewed from time to time and payment of future dividends to shareholders will effectively be at the discretion of the Management Board after taking into account various factors including our business prospects, cash requirements, financial performance, new product development, plans for international expansion and the requirements of Dutch law. In addition, payment of future dividends may be made only if our shareholders' equity exceeds the sum of our called up and paid-in share capital plus the reserve required to be maintained by law and by our Articles of Association.

We have paid aggregate dividends of €0.6 million since 2002.

## EXCHANGE RATES

We publish our consolidated financial statements in euros. The exchange rates below are provided solely for information and convenience. No representation is made that the euro could have been, or could be, converted into US dollars or pounds sterling at these rates.

### US Dollars

The table below shows the high, low, average and end period exchange rates expressed in US dollars per €1.00 for the years given as computed using the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the “Noon Buying Rate”) during the period indicated.

<b>Year ended 31 December, US dollars per euro</b>	<b>High</b>	<b>Low</b>	<b>Average<sup>1</sup></b>	<b>End of period</b>
2000 .....	1.0335	0.8270	0.9207	0.9388
2001 .....	0.9535	0.8370	0.8909	0.8901
2002 .....	1.0485	0.8594	0.9495	1.0485
2003 .....	1.2597	1.0361	1.1321	1.2597
2004 .....	1.3625	1.1801	1.2478	1.3538

(1) The average of the Noon Buying Rates on the last business day of each month during the relevant period.

The table below shows the high and low Noon Buying Rates expressed in US dollars per €1.00 for each month during the six months prior to the date of this Prospectus.

<b>US dollars per euro</b>	<b>High</b>	<b>Low</b>
December 2004 .....	1.3625	1.3224
January 2005 .....	1.3476	1.2954
February 2005 .....	1.3274	1.2773
March 2005 .....	1.3465	1.2877
April 2005 .....	1.3093	1.2819
May 2005 (through 25 May 2005) .....	1.2936	1.2553

On 25 May 2005, the Noon Buying Rate for the euro was €1.00 = \$1.2602.

### Pounds Sterling

The table below shows the high, low, average and end period exchange rates expressed in pounds sterling per €1.00 for the years given as computed using the Bank of England spot exchange rate (“spot rate”) for the periods indicated.

<b>Year ended 31 December, Pounds sterling per euro</b>	<b>High</b>	<b>Low</b>	<b>Average<sup>1</sup></b>	<b>End of period</b>
2000 .....	0.6384	0.5708	0.6081	0.6274
2001 .....	0.6416	0.5962	0.6191	0.6117
2002 .....	0.6518	0.6090	0.6290	0.6518
2003 .....	0.7234	0.6491	0.6931	0.7044
2004 .....	0.7093	0.6565	0.6793	0.7079

(1) The average of the spot rates on the last business day of each month during the relevant period.

The table below shows the high and low spot rates expressed in pounds sterling per €1.00 for each month during the six months prior to the date of this Prospectus.

<b>Pounds sterling per euro</b>	<b><u>High</u></b>	<b><u>Low</u></b>
December 2004 .....	0.7094	0.6848
January 2005 .....	0.7057	0.6909
February 2005 .....	0.6938	0.6863
March 2005 .....	0.6993	0.6866
April 2005 .....	0.6875	0.6759
May 2005 (through 25 May 2005) .....	0.6889	0.6787

On 25 May 2005, the spot rate for euro was €1.00 = £0.6879.

## **USE OF PROCEEDS**

We raised approximately €125 million of gross proceeds from the issue of New Shares in the Global Offer. The net proceeds we will receive from the issue of New Shares in the Global Offer are estimated to be approximately €113.8 million after deducting the estimated underwriting commission and expenses payable by us. We intend to use the net proceeds we receive from the Global Offer primarily for general corporate purposes, including research and development of new products and technologies, international expansion and for working capital. In addition, we may use a portion of the net proceeds to acquire or invest in businesses, products, technologies or innovations that complement our business and growth strategy. We will retain broad discretion in allocating the net proceeds to us.

We will not receive any proceeds from the sale of the Existing Shares in the Global Offer, all of which will be paid to the Selling Shareholders.

## CAPITALISATION

The table below sets forth our unaudited consolidated cash and equivalents and capitalisation as of 31 March 2005, as follows:

- on an actual basis;
- on a pro forma basis to give effect to the Reorganisation; and
- on a pro forma basis, as adjusted to reflect the Reorganisation and our receipt of the estimated net proceeds from the issue of the New Shares in the Global Offer, after deducting the estimated underwriting commission and expenses payable by us.

You should read this table together with our consolidated financial statements and the related notes thereto, as well as the information under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” The table below is prepared for illustrative purposes only and, because of its nature, may not give a true picture of our financial condition following the Global Offer. For a summary of our principal contractual obligations and commercial commitments over the next five years, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations and Commercial Commitments.”

As of 31 March 2005			
Total Capitalisation	Actual	Pro forma (€ in millions)	Pro forma, as adjusted
<b>Cash and equivalents . . . . .</b>	<b>55.2</b>	<b>55.2</b>	<b>169.0</b>
Total debt . . . . .	0	0	0
Share capital . . . . .	0	20.0	21.4
Share premium . . . . .	0.6	0	112.4
Legal reserves . . . . .	1.0	1.0	1.0
Cumulative translation reserve . . . . .	0	0	0
Stock compensation reserve . . . . .	3.0	3.0	3.0
Retained earnings . . . . .	47.3	27.9	27.9
Total equity . . . . .	51.9	51.9	165.7
<b>Total capitalisation . . . . .</b>	<b>51.9</b>	<b>51.9</b>	<b>165.7</b>

## SELECTED CONSOLIDATED FINANCIAL DATA

The summary consolidated financial data set forth below is that of TomTom Group BV and its subsidiaries. TomTom Group BV is the predecessor entity to TomTom NV prior to the Reorganisation. See “Presentation of Financial and Other Information” and “Description of Share Capital and Corporate Governance—Share Capital—Reorganisation”. The selected consolidated financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and notes thereto included elsewhere in this Prospectus. The year-end consolidated financial data is extracted from our consolidated financial statements that have been audited by Deloitte Accountants BV, independent auditors. The three-month consolidated financial data is based upon our unaudited interim condensed consolidated financial accounts for the three-month period ended 31 March 2005. The results for the three-month period ended 31 March 2005 are not necessarily indicative of results for the full year. The financial statements and accounts from which the selected consolidated financial data set forth below have been derived were prepared in accordance with IFRS. The selected consolidated financial data set forth below may not contain all of the information that is important to you.

	Year ended 31 December			Three months ended 31 March
	2002	2003	2004	2005
<b>Profit and Loss Data</b>	(€ in millions, except percentages, per share and share amounts)			
<b>Revenue</b> . . . . .	<b>7.9</b>	<b>39.1</b>	<b>192.4</b>	<b>66.2</b>
Cost of sales . . . . .	3.5	19.7	107.2	35.0
<b>Gross profit</b> . . . . .	<b>4.4</b>	<b>19.4</b>	<b>85.2</b>	<b>31.2</b>
<b>Gross profit margin</b> . . . . .	<b>56%</b>	<b>50%</b>	<b>44%</b>	<b>47%</b>
Selling, general and administrative expenses . . . . .	1.7	7.1	36.8	10.9
% of revenue . . . . .	22%	18%	19%	16%
Research and development expenses . . . . .	0.9	2.3	5.0	1.8
% of revenue . . . . .	12%	6%	3%	3%
<b>Total operating expenses</b> . . . . .	<b>2.6</b>	<b>9.4</b>	<b>41.8</b>	<b>12.7</b>
<b>Operating profit</b> . . . . .	<b>1.8</b>	<b>10.0</b>	<b>43.4</b>	<b>18.5</b>
Operating profit margin . . . . .	23%	26%	23%	28%
Financial expenses and income, net . . . . .	0	-0.5	-0.8	1.7
<b>Profit before tax</b> . . . . .	<b>1.8</b>	<b>9.5</b>	<b>42.6</b>	<b>20.2</b>
Income tax . . . . .	0.4	3.3	14.9	6.4
% of profit before tax . . . . .	22%	35%	35%	32%
<b>Net profit</b> . . . . .	<b>1.4</b>	<b>6.2</b>	<b>27.7</b>	<b>13.8</b>
<b>Net profit margin</b> . . . . .	<b>17%</b>	<b>16%</b>	<b>14%</b>	<b>21%</b>
<b>Net profit per share</b>				
Basic . . . . .	0.75	3.39	15.19	7.54
Diluted . . . . .	0.75	3.27	14.20	6.87
<b>Weighted average number of ordinary shares used to calculate net profit per share</b>				
Basic . . . . .	1,824,276	1,824,276	1,824,276	1,824,276
Diluted . . . . .	1,824,276	1,887,303	1,951,999	2,002,476
<b>Pro forma net profit per share<sup>1</sup></b>				
Basic . . . . .	0.01	0.06	0.28	0.14
Diluted . . . . .	0.01	0.06	0.26	0.13
<b>Weighted average number of ordinary shares used to calculate pro forma net profit per share</b>				
Basic . . . . .	100,000,000	100,000,000	100,000,000	100,000,000
Diluted . . . . .	100,000,000	103,454,877	107,001,298	109,768,259

(1) To achieve comparability, pro forma net profit per share reflects the Reorganisation.



Balance Sheet Data	As of 31 December			As of
	2002	2003	2004	31 March
	(€ in millions)			2005
<b>Non-current assets</b>				
Intangible assets . . . . .	0.3	0.6	1.0	1.1
Property, plant and equipment . . . . .	0.2	0.6	2.1	2.1
Total non-current assets . . . . .	0.6	1.2	3.0	3.1
<b>Current assets</b>				
Inventories . . . . .	0.6	2.2	13.4	8.2
Trade receivables . . . . .	2.7	9.1	29.4	23.2
Other receivables and prepayments . . . . .	0.2	1.6	5.0	8.4
Cash and equivalents . . . . .	0.8	6.9	40.2	55.2
Total current assets . . . . .	4.2	19.8	87.9	95.0
<b>Total assets</b> . . . . .	<b>4.8</b>	<b>21.0</b>	<b>90.9</b>	<b>98.1</b>
<b>Equity and liabilities</b>				
<b>Shareholders' equity</b>				
Share capital . . . . .	0	0	0	0
Share premium . . . . .	0.6	0.6	0.6	0.6
Legal reserves . . . . .	0.3	0.6	0.9	1.0
Cumulative translation reserve . . . . .	0	0	0	0
Stock compensation reserve . . . . .	0	0.1	2.6	3.0
Retained earnings . . . . .	0.8	6.2	33.6	47.3
<b>Total equity</b> . . . . .	<b>1.7</b>	<b>7.6</b>	<b>37.8</b>	<b>51.9</b>
<b>Provisions</b> . . . . .	<b>0</b>	<b>0</b>	<b>0.4</b>	<b>0.6</b>
<b>Long-term liabilities</b>				
Deferred tax liability . . . . .	0	0	1.3	1.3
<b>Current liabilities</b>				
Trade payables . . . . .	1.8	7.0	25.6	7.3
Tax and social security . . . . .	0.6	3.0	12.9	22.1
Other accruals . . . . .	0	0.9	6.2	9.8
Other liabilities . . . . .	0.7	2.5	6.7	5.0
<b>Total current liabilities</b> . . . . .	<b>3.1</b>	<b>13.3</b>	<b>51.4</b>	<b>44.3</b>
<b>Total equity and liabilities</b> . . . . .	<b>4.8</b>	<b>21.0</b>	<b>90.9</b>	<b>98.1</b>
<b>Cash Flow Data</b>	Year ended 31 December			Three months ended 31 March
	2002	2003	2004	2005
	(€ in millions)			
Net cash flow from operating activities . . . . .	1.1	7.6	36.8	15.6
Total cash flow used in investing activities . . . . .	-0.5	-1.0	-3.0	-0.6
Total cash flow from financing activities . . . . .	-0.2	-0.6	-0.5	0
<b>Net increase in cash and cash equivalents</b> . . . . .	<b>0.4</b>	<b>6.1</b>	<b>33.3</b>	<b>15.0</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the rest of the document, including our consolidated financial statements and related notes thereto beginning on page F-7 and the "Selected Consolidated Financial Data". Our consolidated financial statements presented herein are those of TomTom Group BV and its subsidiaries. TomTom Group BV is the predecessor entity to TomTom NV prior to the Reorganisation. See "Presentation of Financial and Other Information" and "Description of Share Capital and Corporate Governance—Share Capital—Reorganisation". Our consolidated financial statements have been prepared in accordance with IFRS, which differ from US GAAP in certain significant respects. For a discussion of the most significant differences between IFRS and US GAAP as they relate to us, see "Summary of Significant Differences between IFRS and US GAAP".*

*This discussion and analysis contains forward-looking statements that are subject to known and unknown risks and uncertainties. Our actual results and the timing of events could differ materially from those expressed or implied by such forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings "Forward-Looking Statements" and "Risk Factors".*

### Overview

We are a leading provider of personal navigation products and services to the consumer mass market. Our products include integrated devices, which enable our customers to navigate right out of the box, and non-integrated solutions which enable navigation on third-party devices, such as PDAs and smartphones. Our portfolio of products includes the award-winning TomTom GO family of integrated navigation devices, the TomTom Navigator software for PDAs and TomTom MOBILE navigation software for smartphones. We also recently launched TomTom Plus, a location-based content and services offering for our navigation products.

In order to keep costs low and focus our resources on design and innovation, we outsource the manufacturing and related engineering and assembly of our integrated products to our contract manufacturer in Asia. We also outsource supply-chain services, including packaging, further assembly, testing, product localisation, warehousing, shipment and tracking, to our logistics provider.

Our products are sold primarily through retail stores. The bulk of our products are distributed to retailers through several large national and regional distribution companies. We have also developed direct relationships with many of the leading electronics retailers in Western Europe and, more recently, with major electronics retailers in the United States. We work closely with retailers on in-store merchandising and promotion of our products, enabling us to better understand consumer trends and behaviour. We also sell our products through online retail sites and some of our products through the TomTom website.

We have experienced rapid growth since we began focusing on personal satellite navigation in 2001. Our total revenues increased from €7.9 million in 2002 to €39.1 million in 2003 and to €192.4 million in 2004, and our net profit increased from €1.4 million in 2002 to €6.2 million in 2003 and to €27.7 million in 2004. We began shipping our first integrated device, the TomTom GO, in May 2004 and sold approximately 248,000 devices that year. We increased the number of our non-integrated solutions sold from approximately 205,000 units in 2003 to approximately 438,000 units in 2004.

Our rapid growth to date has been entirely organic and has been driven primarily by our personal navigation product introductions. In 2003, our growth was due to the success of our navigation software for PDAs, the TomTom Navigator. In 2004, our growth was due mainly to the successful release of the TomTom GO, which contributed approximately 60% of our total revenues that year. We also achieved strong sales of the TomTom Navigator in 2004.

In 2004, we generated approximately 97% of our revenue in Europe and the remainder from the United States. No European country represented more than 25% of our revenues. Five countries—France, Germany, Italy, The Netherlands and the United Kingdom—each represented more than 10% of our revenues. While we have focused primarily on Western Europe, we believe that the personal satellite navigation market is expanding globally, and we intend to continue to pursue opportunities to sell our products outside of Western Europe. We began operations in the United States in December 2002 when we set up a sales office in Concord, Massachusetts. We intend to begin selling our products in Australia and also plan to focus on Central and Eastern Europe and East Asia as areas for future expansion.

### **Material Factors Affecting Our Results of Operations and Financial Condition**

We believe that the following factors have had and will continue to have a material effect on our results of operations and financial condition.

#### ***Demand for Personal Satellite Navigation Products***

A primary growth driver of our business is consumer demand for our products and the overall market penetration of personal satellite navigation products. The market for personal navigation products has grown rapidly, most dramatically in Europe, although the overall rate of market penetration remains low. We believe there is a significant market opportunity for affordable, easy-to-use personal satellite navigation products, although the market for personal navigation products is still developing. See “Market Opportunity”.

#### ***Distribution of Our Products***

Another primary growth driver is the ability of our products to reach consumers through our well developed distribution network in Europe. Our sales and marketing efforts are currently focused on the countries where we believe there is a significant commercial opportunity and for which reliable and high-quality map data is available, specifically Western Europe and the United States. Our largest distributor, Ingram Micro, and our largest value-added distributor, MCC, each accounted for more than 10% of our total revenues in 2004. We do not rely solely on any single distributor in any of our current markets.

#### ***Introduction of New Products and Services***

Since the successful launch of our first-generation TomTom GO in May 2004, our product mix has increasingly shifted from non-integrated solutions to integrated devices. We have recently launched a significant number of new products and services, most notably our second-generation TomTom GO integrated devices. We expect our second-generation TomTom GO devices to be a key driver of our revenues in 2005.

The transition to new and upgraded products and services requires a significant increase in our marketing and promotional spending. In addition, as mentioned below, the timing and introduction of our new and upgraded products and services make our forecasting more difficult and require specific management of existing and forecasted stock levels. If we have excess existing stock when a new product is released, the retail price of the existing stock is likely to decrease, and we may be required to compensate some of our distributors and retailers on the reduced margin they would make on their existing stock.

#### ***Forecasting***

Forecasting demand for our products and, in particular, our second-generation TomTom GO product line, is important to our financial performance and to maintaining our customer reputation and our relationships with distributors and retailers. Our contract manufacturer allows our initial forecasts to be modified on an agreed and diminishing percentage basis as the delivery date approaches. We are

committed to a firm order one month from the delivery date. Inaccurate forecasting could cause us to over- or under-forecast the need for our products, potentially resulting in increased inventory charges or lost revenues. Forecasting demand for our products is particularly important when we introduce new products, and may become more difficult as our product portfolio expands and as competition in the market increases.

### ***Pricing of Our Products***

The selling prices of our products are primarily affected by the competition we face in our markets, pricing compared to alternative products (such as factory-installed or dealer-fitted navigation systems), our ability to provide enhanced services (such as TomTom Plus), and the strength of our brand in terms of quality, reliability and user-friendliness. We generally set the prices of our products after considering the above factors. We also set our prices at levels we believe will drive market growth. Following its introduction in May 2004, the average selling price of our integrated TomTom GO device, was stable at around €463 for the third quarter and €465 for the fourth quarter of 2004. The average selling price of our non-integrated solutions is affected by the mix of products being sold and by the proportion of bundled products in the mix. During 2004, the average quarterly selling price of our non-integrated products was between €148 and €165. We expect the sales prices we charge for our products and our gross profit margins to decrease over time as competition intensifies in the market and more personal navigation products become available.

### ***Variable Costs***

The substantial majority of our cost of sales consist of variable costs. These variable costs relate mostly to the unit costs of our integrated devices paid to our contract manufacturer. We have reduced, and seek to continue to reduce, our unit costs over time through reductions in component prices, such as memory prices, re-engineering our products so that expensive components are replaced or eliminated and obtaining better pricing as volumes increase. However, if the bill of materials cost of our contract manufacturer increases by more than 5%, our contract manufacturer has the right to increase our unit cost. The exercise of this right may significantly affect our costs, our margins and our profitability.

In addition, our contract manufacturer invoices us in US dollars. In 2004, we recognised an exchange gain of €1.9 million in cost of sales. The US dollar/euro exchange rate may significantly affect our costs of sales.

### ***Working Capital Requirements***

We place orders with our contract manufacturer based upon our forecasts of future demand for our products. We are financially committed to these purchase orders before our distributors or retailers buy our products. Principally as a result of the growth of our business, the timing of new product introductions and seasonal demand, we required significant amounts of working capital to fund our inventory during the first three quarters of 2004. This caused reductions in our cash balances during this period. We generate cash when we receive payments for products sold. If we over-estimate demand, this can result in excess inventory and we may not be able to convert the excess inventory into cash. In addition, our outstanding trades receivable balance will increase as our business grows, which will place greater demands on our cash requirements.

We expect that our working capital requirements in 2005 will continue to fluctuate significantly from quarter to quarter as a result of the above factors.

### ***Effects of Seasonality***

Our revenues are subject to seasonal fluctuations. Our revenues are generally expected to be higher in the second and fourth quarters of each year due to higher travel and holiday spending, respectively.

However, our recent rapid growth has largely masked these seasonal fluctuations in our historical results of operations. In addition, the timing of the introduction of our new or upgraded products and services may either contribute to or mask any seasonal fluctuations.

### Consolidated Results of Operations

The following discussion and analysis of our annual results of operations and financial condition is based on our historical results. Principally as a result of our product introductions, our historical results of operations are not directly comparable from period to period and should not be relied upon as indicative of future performance. Other factors, including competition in the personal navigation market, the level of consumer demand for personal navigation products, the success of our new and upgraded products and services and the accuracy of our forecasting will be significant to our future success and should be carefully considered. In addition, investors should expect that we may face declining rates of revenue growth going forward as our absolute revenues have grown rapidly over the last two years.

The following tables set forth our consolidated results of operations for the periods indicated and as a percentage of revenues or operating profit.

	Year ended 31 December			Three months ended 31 March
	2002	2003	2004	2005
	(€ in millions, except percentages)			
<b>Results of Operations</b>				
<b>Revenue</b> . . . . .	<b>7.9</b>	<b>39.1</b>	<b>192.4</b>	<b>66.2</b>
Cost of sales . . . . .	3.5	19.7	107.2	35.0
<b>Gross profit</b> . . . . .	<b>4.4</b>	<b>19.4</b>	<b>85.2</b>	<b>31.2</b>
<b>Gross profit margin</b> . . . . .	<b>56%</b>	<b>50%</b>	<b>44%</b>	<b>47%</b>
Selling, general and administrative expenses . . . . .	1.7	7.1	36.8	10.9
<i>% of revenue</i> . . . . .	22%	18%	19%	16%
Research and development expenses . . . . .	0.9	2.3	5.0	1.8
<i>% of revenue</i> . . . . .	12%	6%	3%	3%
<b>Total operating expenses</b> . . . . .	<b>2.6</b>	<b>9.4</b>	<b>41.8</b>	<b>12.7</b>
<b>Operating profit</b> . . . . .	<b>1.8</b>	<b>10.0</b>	<b>43.4</b>	<b>18.5</b>
Operating profit margin . . . . .	23%	26%	23%	28%
Financial expenses and income, net . . . . .	0	-0.5	-0.8	1.7
<b>Profit before tax</b> . . . . .	<b>1.8</b>	<b>9.5</b>	<b>42.6</b>	<b>20.2</b>
Income tax . . . . .	0.4	3.3	14.9	6.4
<i>% of profit before tax</i> . . . . .	22%	35%	35%	32%
<b>Net profit</b> . . . . .	<b>1.4</b>	<b>6.2</b>	<b>27.7</b>	<b>13.8</b>

### Revenues

We currently derive substantially all of our revenues from the sale of our integrated devices, the TomTom GO line of products; our non-integrated solutions, the TomTom Navigator and TomTom MOBILE; software only sales of the TomTom Navigator and TomTom MOBILE; map updates; and upgrades to our products.

A breakdown of our revenues and units sold by integrated devices and non-integrated solutions for the periods indicated is provided below:

	Year ended 31 December			Three months ended 31 March
	2002	2003	2004	2005
	(€ in millions, except unit totals)			
<b>Revenues</b>				
Integrated devices <sup>1</sup>	0	0	115.6	47.0
Non-integrated solutions <sup>2</sup>	4.9	37.4	68.8	16.3
Other <sup>3</sup>	3.0	1.7	8.0	2.9
<b>Total revenues</b>	<b>7.9</b>	<b>39.1</b>	<b>192.4</b>	<b>66.2</b>
<b>Units sold</b>				
Integrated devices <sup>1</sup>	0	0	248,088	108,146
Non-integrated solutions <sup>2</sup>	28,545	204,600	438,455	112,761
<b>Total units sold</b>	<b>28,545</b>	<b>204,600</b>	<b>686,543</b>	<b>220,907</b>

(1) Reflects revenues from sales of TomTom GO devices, which we began shipping in May 2004.

(2) Reflects largely sales of TomTom Navigator solutions, including TomTom Navigator bundled with PDA devices manufactured by HP and Palm and software-only sales of the TomTom Navigator. The TomTom Navigator was initially shipped in May 2002. Accordingly, these figures represent eight months of sales for 2002 and a full year of sales in 2003 and 2004. In addition, in 2004, we derived a small proportion of revenues from TomTom MOBILE solutions as well as software-only sales of the TomTom MOBILE, which we began shipping in September 2004.

(3) Reflects primarily revenues from map updates; software updates; sales of accessories, such as cradles and car kits; one-off sales of a specific number of TomTom Navigator software licences on a CD ROM; and sales of non-navigation products (2002 only).

In 2002 and 2003, our revenues were substantially derived from the sale of our TomTom Navigator products. Our first integrated device, the TomTom GO, began shipping in May 2004 and grew rapidly to deliver 60% of our total revenues in 2004. After the TomTom GO, the TomTom Navigator was our second largest source of revenues in 2004. We expect that our recently released second generation TomTom GO family of products will represent a substantial majority of our revenues in 2005.

### *Cost of Sales*

Our cost of sales primarily includes manufacturing, development and component costs for our TomTom GO products, map licence costs for all our products and logistics costs. We pay our suppliers of map data a per-unit royalty for each map product we use, subject to a yearly minimum royalty.

The principal factors affecting our cost of sales are the number of units sold, the US dollar/euro exchange rate (as a significant portion of our cost of sales is in US dollars), the cost of component parts and the accuracy of our product forecasts to our third-party manufacturer and suppliers.

Our cost of sales per product for the TomTom GO has decreased slightly since its introduction in 2004, due mainly to the general decrease in prices of certain components, such as removable memory cards and other electronics components, and the depreciation of the US dollar against the euro.

Our cost of sales per product for the TomTom Navigator has increased slightly over the last two years, due primarily to the inclusion of a removable memory card with the TomTom Navigator as of February 2004 (previously, memory cards had to be purchased separately by customers). This increase was



partly offset by increasing volumes of product sales, which has allowed us to negotiate lower prices for map licence fees and certain component parts.

#### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses relate primarily to sales and marketing costs, salaries and related costs for employees not included under research and development, accounting, legal and other professional expenses, facility costs related to our headquarters in Amsterdam and our offices in London, Concord, Massachusetts, and Taipei and costs for information systems and infrastructure, customer support, call centre operations and travel expenses.

In 2004, our selling, general and administrative expenses were €36.8 million, or 19% of our total revenues. Of this amount, approximately €19.6 million related to marketing costs. In addition, our selling, general and administrative expenses included an expense of €3.4 million for wage taxes in respect of stock options granted in 2003 and a charge of €1.0 million relating to options granted in 2003 and 2004 (of which €0.9 million related to options granted in 2004). See “—Critical Accounting Policies and Estimates—Share-Based Payments”.

We anticipate that our selling, general and administrative expenses in absolute terms will be significantly higher in 2005 due to the introduction of our new and upgraded products and services and international expansion, which will require us to spend significant amounts on advertising, promotion and brand-building.

#### ***Research and Development Expenses***

Our research and development costs relate primarily to internal labour costs for the development of products, external costs in relation to the development of hardware and software for our products and depreciation of tools and moulds required for manufacturing our products. It also includes test equipment used in product development, costs for components used in product and prototype development, costs relating to management of specialist engineers employed by our contract manufacturer and depreciation expenses on capitalised software development costs. Some of our research and development expenditure, including detailed engineering design and the testing of certain parts used, is performed by our contract manufacturer and forms part of the cost price of the product. To the extent that these activities are not invoiced separately to us as non-recurring engineering costs, they are not included in research and development expenditures but are nevertheless an important part of our product development process. Although our research and development spending has declined as a percentage of our total revenues due to our rapid growth, it has grown in absolute terms, more than doubling from €2.3 million in 2003 to €5.0 million in 2004.

We expect our research and development department, which as of 31 December 2004 consisted of 55 full and part-time employees, to grow significantly. We expect our research and development expenses in absolute terms will be significantly higher in 2005.

#### ***Financial Expenses and Income, Net***

Our financial expenses and income, net, consist primarily of gains or losses from currency exchange rate fluctuations in accounts receivable and payable, interest earned on cash and cash equivalents and interest paid on temporary bank overdrafts.

### *Income Taxes*

Our income tax expenses consist primarily of taxes on our taxable income in The Netherlands, the United Kingdom and the United States, offset slightly by the carry forward from previous years of unused tax losses in The Netherlands (from the 2002 tax year) and the United States (from the 2003 tax year).

The Dutch corporate income tax rate is 31.5% on taxable income greater than €22,689 for the 2005 tax year, down from 34.5% in the 2004 tax year. This rate will be reduced to 30.5% in 2006 and to 30.0% in 2007.

### *Comparison of 2004 and 2003*

#### *Revenue*

Total revenues increased to €192.4 million in 2004 from €39.1 million in 2003. The increase was largely due to sales of €115.6 million of our TomTom GO product following its release in May 2004, which represented approximately 60% of our total revenues for the year. The increase was also due to higher revenue from our TomTom Navigator product due primarily to the release of the TomTom Navigator 3 in the first quarter of 2004. In addition, we introduced our new TomTom MOBILE product in Europe in September 2004, which contributed a small portion of our total revenues.

#### *Cost of Sales*

Cost of sales increased to €107.2 million in 2004 from €19.7 million in 2003. Cost of sales as a percentage of total revenues increased to 56% in 2004 from 50% in 2003. The higher cost of sales in absolute terms was due mainly to growth of our business and higher volume of units sold as a result primarily of the release of the TomTom GO in May 2004. It was also due to the inclusion of more hardware components in our products, mainly in the TomTom GO but also in our non-integrated solutions, such as GPS receivers, memory cards and cradles. Because we pay our contract manufacturer of the TomTom GO in US dollars, the increase in cost of sales was partly offset by the depreciation of the US dollar against the euro.

#### *Gross Profit*

Gross profit increased to €85.2 million in 2004 from €19.4 million in 2003. The gross profit margin decreased to 44% in 2004 from 50% in 2003, due primarily to component costs which contributed to higher costs of sales of the TomTom GO relative to the TomTom Navigator products, and slightly lower margins on the TomTom Navigator products compared to 2003 due to the inclusion of memory cards in the product from February 2004, which were previously purchased separately by the customer.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased to €36.8 million in 2004 from €7.1 million in 2003. The 2004 expenses included €3.4 million for wage taxes in respect of stock options granted in 2003 and a charge of €1.0 million relating to stock options granted in 2003 and 2004 (of which €0.9 million related to options granted in 2004). See “—Critical Accounting Policies and Estimates—Share-Based Payments”. Excluding these wage taxes and charge, this increase was due mainly to increased marketing costs, totalling €19.6 million in 2004, for activities across a range of media directed primarily in Europe to support the introduction of new products, such as the TomTom GO, and increased salary costs relating to customer support, marketing and sales, logistics and finance staff to support our growth. We also incurred expenses in 2004 to relocate to our new head office in Amsterdam. Excluding wage taxes and the charge, selling, general and administrative expenses as a percentage of total revenues decreased from 18% in 2003 to 17% in 2004.

### *Research and Development Expenses*

Research and development expenses increased to €5.0 million in 2004 from €2.3 million in 2003. This increase was due mainly to the hiring of new staff dedicated to research, development and testing and to the increase of external research and developments costs, in particular in relation to our continued emphasis on testing, developing and introducing new and upgraded products such as the TomTom GO, Navigator 5 and TomTom MOBILE products. Research and development expenses as a percentage of total revenues decreased to 3% in 2004 from 6% in 2003.

### *Financial Expenses and Income, Net*

Financial expenses increased slightly to €0.8 million in 2004 from €0.5 million in 2003. This increase was due mainly to increases in interest payables on taxes, slightly offset by interest received on bank balances.

### *Income Taxes*

The net income tax charge on our ordinary activities in all the jurisdictions in which we operate increased to €14.9 million in 2004 from €3.3 million in 2003. This was due primarily to increased profits. We recorded in 2004 a corporate income tax deduction of €1.6 million in respect of stock options granted in 2003 and 2004. We recorded in 2004 a deferred tax liability of €1.3 million to reflect a timing difference for the treatment of stock options granted and the vesting period. The effective tax rate remained fairly stable at approximately 35%.

### *Net Profit*

As a result of the above, net profit increased to €27.7 million in 2004 from €6.2 million in 2003.

## ***Comparison of 2003 and 2002***

### *Revenues*

Total revenues increased to €39.1 million in 2003 from €7.9 million in 2002. The increase was due mainly to the successful introduction of the TomTom Navigator 2 in May 2003, as well as continued sales in 2003 of the TomTom Navigator 1, which was originally introduced in May 2002. The increased sales of our Navigator products were driven by increased consumer acceptance of the TomTom Navigator 1 product, and enhanced by the introduction of the TomTom Navigator 2 product.

### *Cost of Sales*

Cost of sales increased to €19.7 million in 2003 from €3.5 million in 2002. This increase was due primarily to increasing volumes of products sold, as well as to increasing sales of our TomTom Navigator solutions (which include the GPS receiver and carkit and had more expensive component parts than the software-only TomTom Navigator). Cost of sales as a percentage of total revenues increased to 50% in 2003 from 44% in 2002.

### *Gross Profit*

Gross profit increased to €19.4 million in 2003 from €4.4 million in 2002. Gross profit margin decreased to 50% in 2003 from 56% in 2002, as a result primarily of decreased sales of non-navigation products, which included no hardware components and consequently had a lower cost of sales and a higher margin than our Navigator products.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased to €7.1 million in 2003 from €1.7 million in 2002. The increase was due mainly to increased advertising costs, totalling €2.5 million in 2003, to support the introduction of new products and to increased staffing costs relating to expansion of our customer support, sales and marketing, logistics and finance staff to support our growth. Selling, general and administrative expenses as a percentage of total revenues decreased to 18% in 2003 from 22% in 2002.

### *Research and Development Expenses*

Research and development expenses increased to €2.3 million in 2003 from €0.9 million in 2002. This increase was due primarily to the expansion of the research and development department and external development costs of new and upgraded products. Research and development expenses as a percentage of total revenues decreased to 6% in 2003 from 12% in 2002.

### *Income Taxes*

The net income tax charge on our ordinary activities in all the jurisdictions in which we operate increased to €3.3 million in 2003 from €0.4 million in 2002. This increase was due primarily to increased profits. The effective tax rate in 2002 was 22% due to the usage of a small tax loss carried forward in The Netherlands, as compared to 35% in 2003.

### *Net Profit*

As a result of the above, net profit increased to €6.2 million in 2003 from €1.4 million in 2002.

### ***Quarterly Results of Operations***

Principally as a result of the timing of our product introductions, our unaudited quarterly historical results of operations are not directly comparable from period to period and should not be relied upon as indicative of future performance. Our quarterly results of operations have in the past and may in the future fluctuate from quarter to quarter.

The following table sets out our unaudited consolidated results for each quarter in 2004 and the first quarter of 2005. This unaudited quarterly financial information has been prepared on the basis of accounting policies which are consistent with those used in our audited consolidated financial statements.

These quarterly results should be read together with the rest of the document including our consolidated financial statements and related notes thereto beginning on page F-3.

Quarterly Results of Operations	Three months ended				
	31 Mar 04	30 Jun 04	30 Sep 04	31 Dec 04	31 Mar 05
	(€ in millions, except percentages) (unaudited)				
<b>Revenue</b> . . . . .	<b>14.2</b>	<b>35.8</b>	<b>52.8</b>	<b>89.6</b>	<b>66.2</b>
Cost of sales . . . . .	7.9	21.2	28.9	49.2	35.0
<b>Gross profit</b> . . . . .	<b>6.3</b>	<b>14.6</b>	<b>23.9</b>	<b>40.4</b>	<b>31.2</b>
<b>Gross profit margin</b> . . . . .	<b>44%</b>	<b>41%</b>	<b>45%</b>	<b>45%</b>	<b>47%</b>
Selling, general and administrative expenses . . . . .	2.8	4.9	10.1	19.2	10.9
% of revenue . . . . .	20%	14%	19%	21%	16%
Research and development expenses . . . . .	0.7	1.2	0.9	2.0	1.8
% of revenue . . . . .	5%	3%	2%	2%	3%
<b>Total operating expenses</b> . . . . .	<b>3.5</b>	<b>6.1</b>	<b>11.0</b>	<b>21.2</b>	<b>12.7</b>
<b>Operating profit</b> . . . . .	<b>2.8</b>	<b>8.5</b>	<b>12.9</b>	<b>19.2</b>	<b>18.5</b>
Operating profit margin . . . . .	20%	24%	24%	21%	28%
Financial expenses and income, net . . . . .	0.1	0.1	-0.3	-0.6	1.7
<b>Profit before tax</b> . . . . .	<b>2.9</b>	<b>8.6</b>	<b>12.6</b>	<b>18.6</b>	<b>20.2</b>
Income tax . . . . .	0.9	3.2	4.7	6.2	6.4
% of operating profit . . . . .	31%	37%	37%	33%	32%
<b>Net profit</b> . . . . .	<b>2.0</b>	<b>5.4</b>	<b>7.9</b>	<b>12.4</b>	<b>13.8</b>

#### Revenues

A breakdown of our revenues and units sold by integrated devices and non-integrated solutions for the periods indicated is provided below:

Revenues	Three months ended				
	31 Mar 04	30 Jun 04	30 Sep 04	31 Dec 04	31 Mar 05
	(€ in millions, except unit totals) (unaudited)				
Integrated devices <sup>1</sup> . . . . .	0	11.0	34.0	70.7	47.0
Non-integrated solutions <sup>2</sup> . . . . .	13.9	23.4	16.0	15.6	16.3
Other <sup>3</sup> . . . . .	0.3	1.4	2.9	3.4	2.9
<b>Total revenues</b> . . . . .	<b>14.2</b>	<b>35.8</b>	<b>52.8</b>	<b>89.6</b>	<b>66.2</b>
<b>Units sold</b>					
Integrated devices <sup>1</sup> . . . . .	0	22,675	73,467	151,946	108,146
Non-integrated solutions <sup>2</sup> . . . . .	89,060	158,270	96,815	94,310	112,761
<b>Total units sold</b> . . . . .	<b>89,060</b>	<b>180,945</b>	<b>170,282</b>	<b>246,256</b>	<b>220,907</b>

(1) Reflects sales of TomTom GO devices, which we began shipping in May 2004.

(2) Reflects largely sales of TomTom Navigator solutions, including TomTom Navigator bundled with PDA devices manufactured by HP and Palm and software-only sales of the TomTom Navigator, as well as a small proportion of revenues from TomTom MOBILE solutions and software-only sales of the TomTom MOBILE, which we began shipping in September 2004.

(3) Reflects primarily revenues from map updates; software updates; sales of accessories, such as cradles and car kits; and one-off sales of a specific number of TomTom Navigator software licences on a CD ROM.

Total revenues increased in each quarter in 2004, due primarily to increasing sales of our new TomTom GO device which we began shipping in May 2004. The increases were also due to strong sales of our TomTom Navigator product as a result of the TomTom Navigator 3 being released in the first quarter of 2004. In addition, we introduced our new TomTom MOBILE product in Europe in September 2004, which contributed a small portion of our revenues mostly in the fourth quarter.

In the first quarter of 2005, our total revenues decreased as compared to the fourth quarter of 2004 for two main reasons. First, in preparation for the release of our second-generation TomTom GO line of devices in the second quarter of 2005, we decreased production of our first-generation TomTom GO devices in the first quarter of 2005 to clear out existing stock of these devices. Second, demand for our first-generation TomTom GO devices in the fourth quarter of 2004 and the first quarter of 2005 exceeded our expectations. As a result, we sold down the existing stock of our first-generation GO devices more quickly than we had anticipated and were unable to satisfy all the demand for these devices in the first quarter of 2005.

#### *Cost of Sales*

Cost of sales increased in each quarter in 2004 as a result primarily of the release of the TomTom GO in May 2004 and more products being sold through the year. Because we pay our contract manufacturer in US dollars, the increases in our cost of sales were partly offset by the depreciation of the US dollar against the euro.

#### *Gross Profit*

Gross profit increased in each quarter in 2004. Gross profit margin during 2004 remained fairly stable due primarily to the higher costs of sales of the TomTom GO relative to the TomTom Navigator products, offset by the depreciation of the US dollar against the euro.

Gross profit decreased in the first quarter of 2005 as compared to the fourth quarter of 2004 due primarily to lower sales revenues. The gross profit margin increased in the first quarter of 2005 as compared to the fourth quarter of 2004 due mainly to lower manufacturing, development and component costs and the depreciation of the US dollar against the euro.

#### *Research and Development Expenses*

Research and development expenses generally increased in 2004 and the first quarter of 2005, due mainly to the hiring of new staff dedicated to research and development. The increases were also due to increased external research and developments costs, in particular in relation to our continued emphasis on developing new products.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased in each quarter in 2004, due mainly to increased marketing costs to support the introduction of new products and anticipated seasonal demand and to drive sales revenues. The fourth quarter increased slightly as compared to prior quarters, reflecting an expense of €3.4 million for wage taxes in respect of stock options granted in 2003.

Expenses relating to the introduction of our new TomTom GO product in the second quarter and our TomTom MOBILE in the third quarter of 2004 contributed to accelerating marketing spend for each quarter of 2004, from €0.8 million in the first quarter, €2.1 million in the second quarter, €7.0 million in the third quarter and €9.6 million in the fourth quarter. For the first quarter of 2005, marketing spend was €5.1 million.

The increases were also due to increased salary costs relating to customer support, marketing and sales, logistics and finance departments to support our growth. In the fourth quarter of 2004, we recorded one-off charges for foreign income taxes and for exiting from our former offices.

Selling, general and administrative expenses decreased in the first quarter of 2005 as compared to the fourth quarter of 2004 due primarily to a reduction in marketing spend in the first quarter of 2005 and the wage tax expense in the fourth quarter of 2004.

#### *Net Profit*

As a result of the above, our net profit increased in each quarter in 2004. Net profit increased in the first quarter of 2005 as compared to the fourth quarter of 2004 due primarily to lower marketing spend in the first quarter of 2005, which more than offset lower revenues, as well as the wage tax expense in the fourth quarter of 2004.

### **Liquidity and Capital Resources**

#### ***Overview***

Our principal source of liquidity has been cash generated from operating activities.

Our principal uses of cash have been to fund working capital, including accounts receivable and inventory purchases through payments to our contract manufacturer and suppliers, to fund other operating expenses, such as sales and marketing and research and development, and to fund the expansion of our business into new product lines and new geographical markets.

Our cash flow generated from operating activities historically has been sufficient to enable us to meet our obligations. Principally as a result of the growth of our business, the timing of new product introductions and seasonal demand, we required significant amounts of working capital to fund our inventory during the first three quarters of 2004. For example, in the second quarter of 2004, increases in inventories, receivables and prepayments represented over 50% of net sales in the quarter, driven mainly by the ramp up of the TomTom GO product. Although this quarterly working capital requirement was exceptional relative to our size at the time, our working capital requirements may fluctuate significantly from quarter to quarter. We expect that our working capital requirements in 2005 will continue to fluctuate significantly from quarter to quarter as a result of the above factors.

We believe our cash flow generated from operating activities, our cash and cash equivalents and the net proceeds we receive from the Global Offer should be sufficient to fund our foreseeable working capital requirements.

We regularly monitor our liquidity position, including cash levels, credit lines and capital expenditures. We held total cash and cash equivalents of €55.2 million as of 31 March 2005, as compared to €40.2 million as of 31 December 2004, €6.9 million as of 31 December 2003 and €0.8 million as of 31 December 2002.

We previously had a €10 million revolving credit facility with Rabobank, which we recently terminated. We will continue to regularly monitor our liquidity position and may enter into a new facility arrangement in the future.



The following table summarises the principal components of our consolidated cash flows for the periods indicated:

<b>Cash Flow Data</b>	<b>Year ended 31 December</b>			<b>Three months ended 31 March</b>
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
	<b>(€ in millions)</b>			
Net cash flow from operating activities . . . . .	1.1	7.6	36.8	15.6
Total cash flow used in investing activities . . . . .	-0.5	-1.0	-3.0	-0.6
Total cash flow from financing activities . . . . .	-0.2	-0.6	-0.5	0
<b>Net increase in cash and cash equivalents . . . . .</b>	<b>0.4</b>	<b>6.1</b>	<b>33.3</b>	<b>15.0</b>

#### *Net Cash From Operating Activities*

Net cash from operating activities was €36.8 million in 2004, compared to €7.6 million in 2003. This increase was due primarily to increased profit from the TomTom GO, as well as strong sales of the TomTom Navigator.

Net cash from operating activities was €7.6 million in 2003, compared to €1.1 million in 2002. This increase was attributable primarily to higher profits from the increased sales and higher volume of units sold for the TomTom Navigator 1 and TomTom Navigator 2.

#### *Net Cash Used in Investing Activities*

Net cash used in investing activities consists principally of the purchase of furniture and fixtures, computer equipment and hardware and investment in intangible assets, such as software and product development costs and trademarks. Net cash used in investing activities was €3.0 million in 2004, compared to €1.0 million in 2003 and €0.5 million in 2002. These increases were due primarily to increased investment in computers as we expanded our staff and increases in product development costs.

#### *Net Cash Used in Financing Activities*

Net cash used in financing activities consisted largely of equity dividends paid to our shareholders and interest payable. Dividends paid were €0.2 million in 2002, €0.4 million in 2003 and nil in 2004.

#### *Off Balance Sheet Arrangements*

We do not currently have any off balance sheet arrangements.

#### **Contractual Obligations and Commercial Commitments**

The table below sets forth information relating to our contractual obligations and commercial commitments as of 31 March 2005.

<b>Contractual Obligations and Commercial Commitments</b>	<b>Within one year</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<b>(€ in millions)</b>			
Operating leases . . . . .	0.7	2.5	0.6	3.8
Purchase Obligations . . . . .	71.1	1.1	0	72.2
<b>Total . . . . .</b>	<b>71.8</b>	<b>3.6</b>	<b>0.6</b>	<b>76.0</b>

### **Capital Expenditures**

The following table shows our capital expenditures for the periods indicated:

<b>Capital Expenditures</b>	<b>Year ended 31 December</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>(€ in millions)</b>		
Investment in intangible fixed assets <sup>1</sup> . . . . .	0.3	0.4	0.7
Investment in property, plant and equipment <sup>2</sup> . . . . .	0.2	0.6	2.3
<b>Total</b> . . . . .	<b>0.5</b>	<b>1.0</b>	<b>3.0</b>

(1) Reflects mainly software costs for creating and upgrading our core software technology, such as NavCore, as well as trademarks.

(2) Reflects mainly furniture and fixtures, computer equipment, hardware and software.

Our total capital expenditures have increased from €0.5 million in 2002 to €1.0 million in 2003 and €3.0 million in 2004, due primarily to the expansion of our product lines and our geographical expansion in Europe and the United States.

Based on our existing conditions and current operations, we expect to incur total capital expenditures of approximately €5 million in 2005, relating primarily to refurbishment of, and office equipment and furnishings for, our new office in Amsterdam, as well as expenditures related to new tools and mouldings for new products and investment in intangible fixed assets. We expect to fund such capital expenditures from cash from operating activities.

### **Qualitative Disclosure About Market Risk**

The principal categories of market risk we are exposed to are exchange rate risk and credit risk.

#### **Exchange Rate Risk**

We conduct our business in multiple currencies, including the euro, the pound sterling and the US dollar. We currently sell our products in Europe, the United States and Canada and our TomTom GO product is manufactured in Taiwan and China. Currently, the majority of our revenues are in euros. This may change over time as we continue to expand our international operations. Because our agreements with our contract manufacturer and certain other suppliers are in US dollars, a substantial portion of our cost of sales is in US dollars, while the majority of our operational expenses are in euros.

Our principal currency transaction risk arises from the consequence of our revenues being nearly entirely in euros and pounds sterling and our cost of sales being significantly in US dollars. Our UK sales are supported from The Netherlands and incur expenses almost entirely in euros while generating revenue in pounds sterling. We attempt to manage these currency transaction risks by converting sufficient cash flows in pounds sterling and euros to US dollars to satisfy our US dollar-denominated expenses.

Our principal currency translation risk arises from the fact that the financial records of our subsidiaries in the United Kingdom and the United States are maintained in pounds sterling and US dollars, respectively. Upon preparing consolidated financial statements, our euro-denominated consolidated reported financial results can be affected by changes in the relative value of the pound sterling and the US dollar against the euro. Moreover, fluctuations in currency values distort period-to-period comparisons of financial performance.

In the event of a significant and sustained change in the relative value of any of the currencies in which we do business, our suppliers may request or our customers may experience price increases in their national markets. Such increases could result in decreased margins and decreased sales.

Given the high volatility of currency exchange rates, there can be no assurance that we will be able to effectively manage our currency risk to minimise its impact on our business. Our exposure to currency transaction risk and currency translation risk could have a material adverse effect on our business, results of operations or financial condition.

In 2004, we entered into an average rate call option with Rabobank, in order to limit the principal currency transaction risk arising from the mismatch of our sales in euros and pounds sterling and our cost of sales in US dollars. The average rate call option was designed to cover any appreciation of the US dollar against the euro. Under its terms, the average exchange rate of the US dollar was calculated over a fixed period of twenty-six weeks. If and to the extent that the average exchange rate was higher than the agreed exercise price, Rabobank reimbursed us for the difference between the average exchange rate and the agreed exercise price. This agreement expired in December 2004.

We recently entered into forward exchange contracts to buy forward our US dollar and pound sterling requirements in accordance with our policy to put in place six months of cover on average for our foreign currency requirements. We may also continue to use option instruments to try to mitigate the impact of exchange rate risk.

### ***Credit Risk***

We sell the bulk of our products through distributors. Some of these distributor relationships are conducted without written contracts, and certain of our distributors have built up considerable trade receivable accounts with us for the delivery of our products. Our trade receivable accounts are not typically covered by collateral or credit insurance, and we therefore bear the risk that our distributors will be unable to pay against their trade receivable accounts. In the event any of our large distributors are unable to pay against their trade receivable accounts, we could suffer from a decline in revenues and profitability. Although we have procedures to limit our exposure to credit risk from our distributors, we cannot guarantee that we will be able to limit our potential loss of revenues and income from distributors who are unable to pay against their trade receivable accounts. In particular, if global, regional or national economic conditions significantly deteriorate, there is a risk that our distributors in those markets may suffer from a weakened financial condition and be unable to pay against their trade receivable accounts.

### **Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of these consolidated financial statements requires that we make assumptions, estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgements based on historical experience and other factors and make various assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making estimates and judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our accounting policies are contained in note two to our consolidated financial statements, beginning on page F-7. We consider a number of accounting policies to be critical to the understanding of our financial condition and results of our operations. These accounting policies relate to revenue recognition, software and product development costs, impairment of software and product development costs, warranties, inventory, accounts receivable and accounting for employee benefits. In the preparation of our consolidated financial statements under IFRS, the following critical accounting policies and estimates may involve a high degree of judgement and complexity.

### ***Revenue Recognition***

We generate substantially all of our revenues from the sale of our integrated navigation devices, the TomTom GO family of products; our non-integrated navigation solutions, the TomTom Navigator and TomTom MOBILE; software-only sales of the TomTom Navigator and TomTom MOBILE; and map updates and upgrades to these products. We also earn a small portion of our total revenues from licensing our Navigator software and the sale of product accessories, such as cradles and car kits.

We recognise revenue from the sale of our navigation products and one-off sales of our TomTom Navigator software licences when the risks and rewards of ownership are transferred to our customers (which include distributors, retailers, original equipment manufacturers and consumers). We generally consider the risks and rewards of ownership to be transferred when the goods are shipped and when our customers have no contractual rights of return. For those distributors and retailers with whom we have agreed to provide a right of return, we defer revenue recognition and the related cost of sales until the product is sold by the distributor or retailer. In circumstances when we believe returns are probable because of market conditions or for other reasons, we record an estimate for these returns as a direct deduction to our revenues based upon historical rates of return. If a greater than estimated proportion of distributors or retailers return our products, we would be required to record additional deductions to our revenue.

We record our revenues net of sales taxes, rebate programs and taking into account product returns.

We have entered into agreements with certain of our distributors and retailers, and we have adopted an inventory valuation compensation policy, whereby we compensate our distributors and retailers on a periodic basis for price differences for their stock on hand resulting from price reductions. We also have agreements with some of our distributors and retailers providing them with performance-based rebates.

Each month we record estimated deductions to our revenue for rebate programs, including performance-based rebates, inventory valuation compensation, promotions and other volume-based incentives. We base our estimates on the assumption that maximum rebates are achieved. As agreed with each customer, at the end of a given period (generally one to three months), we determine the actual sales incentives earned by that customer and accordingly adjust our revenue deduction from our previous estimate. Market conditions and product transitions may require us to increase customer incentive programs and incur incremental inventory rotation and other obligations that could result in additional reductions to revenue at the time such programs are offered.

In addition, we entered into a licensing agreement in 2005 with HP to factory-install our navigation software in certain of their PDA models. We recognise royalty fees from HP in the period when HP reports to us (generally quarterly) that it has shipped the installed navigation software to its customer.

### ***Software Development Costs***

We have invested in creating and updating our core software technology, such as NavCore. We capitalise our internal software development costs related to creating and upgrading our core software technology, amortising them on a straight-line basis over the estimated useful life of the software, which we generally estimate to be four years.

Internal software costs not relating to our core software technology are expensed as incurred, based on a useful economic life of less than one year.

Engineering costs relating to detailed manufacturing design of new products are recorded in the profit and loss account as research and development expenses as incurred.

The costs of tools and moulds used in the manufacture of our products are capitalised within property, plant and equipment and depreciated within research and development expenses over their estimated useful life, which is usually less than one year.

We are required to use estimates, assumptions and judgements to determine the useful expected lives and future economic benefits of these software costs. Such estimates are made on a regular basis or as appropriate throughout the year as they can be significantly affected by changes in technology and other factors.

#### ***Impairment of Software and Product Development Costs***

Our intangible fixed assets consist primarily of capitalised software development costs and trademarks. We review intangible fixed assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparing their carrying amount to the future discounted cash flows the assets are expected to generate. If such assets are considered to be impaired, the impairment recognised in earnings will equal the amount by which the carrying value of the assets exceeds their fair market value. Significant management judgement is required in determining the fair value of our intangible fixed assets to measure impairment, including projections of future discounted cash flows.

#### ***Warranties***

We currently provide for the estimated cost for product warranties at the time the related revenue is recognised, based on historical and estimated warranty claim rates, historical and estimated cost-per-claim and knowledge of specific product failures that are outside of our typical experience. Periodically, we re-evaluate our estimates to assess the adequacy of our recorded warranty liabilities in light of the size of the installed base of products subject to warranty protection and adjust the amounts as necessary.

Prior to 2005, the warranty periods for our products generally have been 12 months from date of purchase. In April 2005, we increased our warranty period to 24 months for all our products. We account for warranty costs as part of our cost of sales based on associated cost of materials, repair and handling costs and staff costs. The cost of materials is estimated primarily by using historical trends in the volume of product returns within the warranty period combined with the cost to repair or replace the product. Although we, our contract manufacturer and ModusLink BV (“ModusLink”) cooperate in extensive product quality programs and processes (including actively monitoring and evaluating the quality of our component suppliers), our warranty obligation is affected by product failure rates which may result in product recalls and service delivery costs incurred in correcting a product failure. If actual product failure rates, extra material usage or service delivery costs differ from our estimates, revisions to the estimated warranty liabilities would be required and could negatively affect our results of operations or financial condition.

#### ***Inventory***

We record inventory at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase and assembly and conversion to finished products. The cost of inventories are recorded by using the first-in first-out cost formula, net of reserves for obsolescence and any excess stock.

Our industry is subject to a rapid and unpredictable pace of product and component obsolescence and change in demand. If future demand or market conditions for our products are less favourable than forecasted or if unforeseen technological changes negatively impact the utility of component inventory, we may be required to record write-downs which would negatively affect gross margins and our results of operations.

#### ***Trade Receivables***

We record trade receivables net of allowances for doubtful accounts. Allowances for doubtful accounts are based upon specifically identified amounts that we believe to be uncollectible, taking into account the customer’s creditworthiness, the customer’s payment history and other conditions or

circumstances that may affect the likelihood of payment. In addition, we record additional allowances based on historical experience and our assessment of the general financial condition of our customer base. If our actual collections experience changes, revisions to our allowances may be required. As we have a number of customers with individually large amounts due at any given balance sheet date, any unanticipated change in the creditworthiness of one of these individual large customers or other matters affecting the collectibility of amounts due from one of these individually large customers could have a material adverse effect on our results of operations or financial condition.

### ***Share-Based Payments***

We recently amended our previous stock option plan and developed a new stock option plan as an incentive plan for members of our management, our eligible employees and employees of our subsidiaries. Options granted under our previous stock option plan will continue to be governed by its rules. Under our new stock option plan, we may grant options to eligible employees, including members of our Management Board and senior management, to subscribe for our shares.

The compensation under the plans qualify as “Equity-settled share based payments”. Options under the plans cannot be transferred, encumbered or disposed of by the holder of the options. Options under our previous stock option plan may typically be exercised over a period starting three years from the date of grant and expire five years after the date of grant. Options under the new plan may typically be exercised only by the option holder over a period of four years starting three years after the date of grant and typically expire seven years after the date of grant.

Under an existing contractual arrangement, it is agreed that one member of the Management Board and one member of senior management, Alexander Ribbink and Mark Gretton, will each be granted an additional 1,500,000 stock options on 15 November 2005. These stock options will have an exercise price equal to the market share price on the date of grant and are contingent on their continued employment until November 2005. These contingent stock options have a three-year vesting period and subsequent two-year exercise period. These figures reflect the Reorganisation.

The grant of options leads to expenses incurred by us. In 2004, we adopted IFRS 2 “Accounting for Share-Based Payments” with retroactive effect to 1 January 2003. Accordingly, we expense an amount based upon the total number of vested options and their fair value as of the date of grant.

The fair value of the options granted is determined by the Black-Scholes model. The model contains the risk-free interest rate, volatility and dividends on the underlying share, exercise price and share price at the date of grant. The fair value calculated is allocated to the three year vesting period, using the straight-line method.

We have had discussions with the Dutch tax authorities as to the appropriate amount of wage tax that should have been withheld as a result of stock options granted in 2003 and 2004. This discussion has resulted in a negotiated settlement pursuant to which a wage tax deficiency assessment has been imposed on us relating to the options granted in 2003. Because we will not reclaim the additional wage tax due for 2003 from the employees to whom options were granted in that year, the deficiency assessment included a gross-up for unreclaimed wage withholding tax. The deficiency assessment, including the gross-up, amounted to approximately €3.6 million, excluding interest, of which €3.4 million was recorded under selling, general and administrative expenses and €0.2 million was recorded under research and development expenses in our income statement for 2004. The deficiency assessment for 2003 gave rise to a deduction for corporate income tax purposes which was recorded in 2004 and equal to i) the additional wages taken into account with respect to the options and ii) the amount of the deficiency assessment. The resulting corporate income tax receivable in 2004 amounted to approximately €2.4 million, excluding interest.

Under the terms of the negotiated settlement, options granted in 2004 will be subject to wage withholding tax upon exercise and no deficiency assessment will be imposed in respect of these options. Upon exercise of the options granted in 2004, withholding will be applied at the expense of the employee exercising the option. As a condition to the negotiated settlement, employees to whom options were granted in 2004 have agreed to taxation in respect of these options upon exercise thereof.

For further information on our equity compensation payments, see “Management and Employees—Remuneration—Option Plans” and note ten to our consolidated financial statements.

### **Statutory Financial Accounts**

Our statutory financial statements for the years ended and as of 31 December 2002, 2003 and 2004 have been prepared in accordance with Dutch generally accepted accounting standards (“Dutch GAAP”), as required by Netherlands law. Our statutory financial statements differ in certain respects from the financial statements included in this Prospectus, which have been prepared in accordance with IFRS. For a reconciliation of certain material adjustments in our equity and to our income statement, see note 23 to our consolidated financial statements. As of 1 January 2005, all companies listed on Eurolist by Euronext are required to prepare their financial statements in accordance with IFRS. We are not required and do not expect to prepare our financial statements in accordance with Dutch GAAP for the 2005 financial year.



## INDUSTRY OVERVIEW

### General

Satellite navigation involves the transmission of Global Positioning System (“GPS”) signals from a network of dedicated satellites and appropriately configured receiver devices which translate those signals into position and direction data. Satellite navigation systems allow users to access real-time position information and features such as route directions, time to destination and mileage calculations.

Recent technological, regulatory and business developments have started to create a consumer market for satellite navigation products. We believe that a large and growing market exists for affordable, easy to use satellite navigation products.

### Positioning Technology

The GPS network is composed of 24 orbiting satellites funded and maintained by the US government which currently beams a signal worldwide and operates all requisite ground and space maintenance programs at no cost to users. The network is designed to allow GPS receivers on the earth’s surface to calculate an exact geographic location anywhere in the world. All 24 GPS satellites continuously transmit precisely timed radio signals on assigned frequency bands, and a GPS receiver on the ground can determine its distance from a given satellite by analysing the timing of the signals received. Once a GPS receiver detects its distance from three or more GPS satellites, it can calculate its precise location on the earth’s surface to an accuracy of approximately 10 meters or less under ideal conditions. Upgrades of the GPS satellite network are currently underway, and the deployment of the next generation of GPS satellites is scheduled to be completed by 2010.

Several technical factors have limited the effectiveness of GPS technology in the commercial context. The accuracy and reliability of GPS-derived positions are determined by the location of the GPS receiver and the number of GPS satellites that are above the horizon at any given time. Because the signal transmitted by the GPS satellites is relatively weak, an accurate position reading requires line-of-sight visibility between the GPS receiver and at least three GPS satellites. GPS signals can be blocked or diminished by buildings, hills, dense vegetation or tunnels or distorted by ionospheric and other atmospheric conditions.

To make commercially viable portable navigation products, it is necessary to enhance position accuracy while accommodating the limitations on size, heat dissipation and power consumption inherent in small battery-operated electronic devices. Different augmentation systems are available to increase GPS location accuracy.

One frequently-used augmentation system is map-matching, which matches the user’s GPS-generated position to the nearest likely or accessible point on the map. Dead reckoning is another means of augmentation. When the GPS signal is interrupted, for instance in a tunnel, dead reckoning is used to extrapolate from the user’s last known speed and position to estimate the user’s current location. A third augmentation system is assisted GPS technology (“AGPS”). Mobile network operators established AGPS to provide fast and accurate positioning data to GPS receivers that have just been activated or have previously lost the GPS signal. AGPS reduces the time necessary for GPS receivers to acquire satellite signals and provides more accurate position information.

The European Space Agency is developing a new positioning network, known as Galileo, that will operate alongside GPS. It expects to deploy the system fully by 2008 with the first Galileo satellite launch scheduled to take place in early 2006. Once fully deployed, Galileo will provide a network of 30 dedicated positioning satellites that will be inter-operable with the GPS network and is expected to augment GPS signal accuracy.

## Market Opportunity

### Overview

We believe satellite navigation products address an essential need for ease of mobility without the wasted time, stress and expense associated with getting lost while en route. Historically, this need has been met by paper maps or written directions. More recently, a growing number of car owners have been using factory-installed, in-dash navigation systems or fitted navigation systems installed after a vehicle sale. Neither type of system is portable and both tend to be expensive. We believe that, given recent technological advancements, lower component costs and increasing consumer interest in satellite navigation products, there is a significant market opportunity for more affordable, easy to use portable satellite navigation products.

### The Market

We divide the market for satellite navigation products into three general segments:

- 1) satellite navigation systems that are factory-installed in vehicles by manufacturers on a permanent basis (“factory-installed navigation systems”);
- 2) satellite navigation systems that are fitted in vehicles after the vehicle sale on a permanent basis by dealers, garages or other professional installers (“dealer-fitted navigation systems”); and
- 3) satellite navigation products that are portable (“personal navigation products”), including integrated navigation devices such as the TomTom GO, navigation software for PDAs such as the TomTom Navigator and navigation software for smartphones such as the TomTom MOBILE.

To date, we have focused on the market for personal navigation products and have also developed distribution relationships to sell personal navigation products directly to certain automotive manufacturers. We plan to expand our portfolio of personal navigation products to include products targeted at distribution channels traditionally used to sell dealer-fitted navigation systems.

The market for personal navigation products has grown rapidly, most dramatically in Europe. According to Canals estimates, the number of personal navigation products sold in Europe grew to 2.6 million units in 2004 and is forecast to grow to approximately 4.9 million units in 2007. This growth has been, and we believe it will continue to be, driven by a number of factors that we expect to continue, including:

- *Strong Consumer Demand.* People do not like to get lost, and we believe this is a key driver of growth for the satellite navigation market. Several recent market surveys demonstrate the strong consumer interest in satellite navigation systems. Market research from Lightspeed Research in August 2004 indicated strong consumer interest in satellite navigation products, with 56% of people in the United Kingdom indicating that a car navigation product was their most desired in-car electronics gadget. In a survey of drivers in The Netherlands conducted by YPCA (*Het Nationale Automobilisten Onderzoek*) in December 2003, 49% of respondents said they would be interested in owning a vehicle navigation product.
- *Large, Under-Penetrated Market.* Widespread vehicle ownership has created a large potential market for satellite navigation products in our target geographic markets. According to third-party data, in 2004 there were approximately 221 million cars in the United States and approximately 198 million cars in Western Europe. The vast majority of drivers in the United States and Europe have access to one or more vehicles, and we believe many of them are potential users of satellite navigation products. Moreover, current market penetration for satellite navigation products is low. According to third-party data, approximately 0.9 million factory-installed navigation systems were sold in the United States in 2004 and, according to Frost & Sullivan, approximately 2.2 million factory-installed navigation systems were sold in Europe in 2004. Based on third-party estimates that 15.7 million

new cars were sold in the United States and 14.9 million new cars were sold in Europe in 2004, we estimate that only approximately 5.4% of new cars sold in the United States and 14.8% of new cars sold in Europe in 2004 had factory-installed navigation systems.

- *Rapid Technology Advances.* Recent technology advances in processing power, memory capacity, data compression, GPS receiver technology and satellite positioning accuracy have made possible personal, portable navigation devices.
- *Affordability.* Declining component costs have made it commercially viable to offer high-quality navigation solutions at significantly reduced prices.
- *Availability.* Historically, navigation solutions have only been made available through car manufacturers, specialist garages and other professional installers but, increasingly, navigation products are more widely available in consumer retail outlets and also via the internet.
- *Attractiveness.* Improved product design, better software and stylish hardware are making navigation products easier to use and more appealing to a consumer mass market.

We believe the market for personal navigation products is rapidly overtaking the market for factory-installed and dealer-fitted navigation systems as consumers realise the advantages in the price, portability and user-friendliness of personal navigation products. Given the low penetration levels of factory-installed and dealer-fitted navigation systems in Europe and the United States and the advantages of personal navigation products over these systems, we believe there is a significant market opportunity for personal navigation products.

We also believe there may be opportunities for partnerships between vehicle manufacturers and companies such as ours because of the differentiation that a personal navigation product can provide for certain car models. Factory-installed navigation systems are more expensive, non-portable and model dependent, and the long car design cycle often leads to the inclusion of dated technology. Dealer-fitted navigation systems are also more expensive, non-portable and require time-consuming and inconvenient professional installation.

### ***Personal Navigation Products***

Currently, the most widely sold personal navigation products in Europe are navigation software applications for PDAs, representing approximately 79% of the units sold in the European market for personal navigation products in 2004, according to Canalys. The portability, large displays and memory and processing capabilities of PDAs make them suitable platforms for navigation applications. Navigation applications for PDAs generally include an external GPS receiver that connects to the PDA through a port and cable or via a wireless Bluetooth connection. Some PDAs currently have built-in GPS receivers, and we believe that the proportion of PDAs with this feature is likely to increase. Map data is typically stored on a removable memory card.

Integrated navigation devices such as the TomTom GO are becoming increasingly popular with consumers. According to Canalys Research, sales of integrated navigation devices represented approximately 17% of the personal navigation products market in Europe in 2004, as compared to approximately 9% of the European market for personal navigation products in the first six months of 2004. Like PDAs with navigation software applications, integrated navigation devices generally attach to the windscreen or dashboard of the vehicle and use a removable memory card to store map data. Compared to PDA navigation products, integrated navigation devices are easier to use and install, and are specifically designed to perform navigation tasks. These devices also commonly have supplementary features not currently available for PDAs, such as high-quality speakers for voice directions and, more recently, hands-free capability for Bluetooth-enabled mobile phones with suitable network connection capability. Integrated navigation devices are portable and can be used in different vehicles. We believe integrated devices have a generally shorter time-to-market for product and map data upgrades compared to factory-

installed navigation systems. Drivers can keep the product after sale of their vehicle or expiration of their lease.

In the medium term, we believe that the smartphone segment of the personal navigation market may have significant growth potential. Smartphones are mobile phones enhanced to host advanced software applications, including navigation. Smartphones that host personal navigation products function much like PDAs, with map data typically installed on a removable memory card and a GPS receiver either built into the handset or connected via a cable or by Bluetooth. To date, the smartphone segment of the personal navigation market has been small, representing approximately 4% of the European market for personal navigation products in 2004, according to Canalys. If the smartphone market grows substantially over the next few years, we believe navigation could be an important application for these devices.

## **BUSINESS**

### **Overview**

We are a leading provider of personal satellite navigation products and services to the consumer mass market.

Combining leading-edge technology, attractive styling, ease of use and good value for the money, we believe our products are defining the standard for the personal navigation product category. Personal navigation products provide a level of functionality comparable to factory-installed and dealer-fitted navigation systems but are more affordable, portable and easier to use than factory-installed and dealer-fitted systems. Our approach is to develop hardware and software products that accommodate a wide range of consumer needs and preferences around navigation across a wide range of software platforms and hardware devices.

Our products include integrated devices, which enable our customers to navigate right out of the box, and non-integrated solutions which enable navigation on third-party devices, such as PDAs and smartphones. Our portfolio of products include the award-winning TomTom GO family of integrated navigation devices, the award-winning TomTom Navigator software for PDAs and TomTom MOBILE navigation software for smartphones. We also recently launched TomTom Plus, a location-based content and services offering for our navigation products.

In order to keep costs low and focus our resources on key activities such as design and innovation, we outsource the manufacturing and related engineering and assembly of our integrated products to our contract manufacturer in Asia. We also outsource supply-chain services, including packaging, testing, product localisation, shipment and tracking, to our logistics provider.

Our products are sold primarily through retail stores. The bulk of our products are distributed to retailers through several large national and regional distribution companies. We have also developed direct relationships with many of the leading electronics retailers in Western Europe and, more recently, with major electronics retailers in the United States.

In 2004, we generated approximately 97% of our revenue in Europe and the remainder from the United States. While we have focused primarily on Western Europe, we believe that the personal satellite navigation market is expanding globally, and we intend to continue to pursue opportunities to sell our products outside of Western Europe.

### **History**

TomTom was founded in 1991 by four people, including three current members of senior management, Peter-Frans Pauwels, Pieter Geelen and Harold Goddijn. From our inception, we focused on developing software products for mobile devices, which are technically challenging because of low memory capacity and the inherent limitations on device size, processing power and data storage capacity. From 1991 to 1996, we focused on developing a number of business-to-business applications for mobile devices, including bar-code reading, meter reading and order-entry systems. In 1994, Corinne Goddijn-Vigreux acquired Harold Goddijn's (her husband) shares and joined us as CEO. At that time, we shifted our focus to developing consumer software products for PDAs. By 1998, with around 30 full-time staff, we had established ourselves as a market leader in PDA software, creating a number of consumer applications for PDAs, such as our EnRoute (later renamed RoutePlanner) and Citymaps navigation applications.

In 1999, we expanded our presence in the navigation market by moving into wireless data transmission technology and location-based server technology. In cooperation with Ericsson AB, we developed one of the first commercially available, carrier-grade location servers that enabled "off-board" navigation applications. "Off-board" navigation applications depend on a central network server to host most of the map data needed for navigation, rather than storing it on a PDA. We licensed our location server

technology to large mobile phone manufacturers such as Ericsson and to mobile network operators such as British Telecom Plc and Wind Telecommunications SpA. We developed software and support systems that were designed to allow network operators to offer location-based services to their wireless subscribers. However, use of those services remained low for a variety of reasons, including the limited availability of smartphones and delays in required network upgrades to enable packet-switched wireless data transmission. In 2001, we suspended further investment in the development of location-based services technology for mobile network operators.

After working for Psion Computers from 1989 to 1999, Harold Goddijn joined us in 2001 as a member of management for the first time, taking on the role of CEO and Chairman. Upon his arrival, Corinne Goddijn-Vigreux became Sales Director. By 2001, changes in the mobile device market, including a significant decrease in the price of high capacity memory and GPS chipsets and the widespread availability of more affordable, powerful PDAs, enabled us to evolve our mapping applications into fully-functional navigation systems for in-vehicle use.

Our first navigation product for PDAs, the TomTom Navigator 1, was launched in June 2002. This product was sold as an add-on application for third-party PDAs and was shipped with a GPS receiver and car-cradle, but without the PDA. We worked closely with companies such as HP, Palm and Microsoft Corporation (“Microsoft”) to promote and distribute this product across Europe, which allowed consumers to buy a fully functioning navigation system at a much lower price than previously available factory-installed and dealer-fitted systems.

By the end of 2002, we had concluded that a significant market opportunity existed for an affordable, easy to use car navigation system that integrated all the components of a navigation system in one portable device. We started to develop such an integrated navigation device and recruited an experienced hardware and electronics design team. We made a strategic decision to re-write our core software to operate both on our new hardware products and also across a wide variety of third-party hardware platforms and operating systems. The result of this re-write was our NavCore software platform, which is the foundation for all of our current navigation products. NavCore provides consistent features and high-quality performance across all of our products. We began shipping our first NavCore-based product, the TomTom Navigator for Palm, in January 2004.

We announced our first integrated navigation device, the TomTom GO, in March 2004 and have experienced significant demand for the product since it started shipping in May 2004. We began shipping our second-generation TomTom GO family of devices in April 2005 with the release of the TomTom GO 300 model, which will be followed by the TomTom GO 500 and 700 models which are expected to begin shipping by the end of the second quarter of 2005. We have also continued to improve and diversify our software navigation products for mobile devices, releasing the TomTom Navigator 3, our third generation of the Navigator product, in February 2004 and the TomTom MOBILE, a navigation product for smartphones, in September 2004. We began shipping the TomTom MOBILE 5, the second-generation of our smartphone product, in April 2005. We also launched at that time our location-based content and services offering, TomTom Plus. We expect to begin shipping the TomTom Navigator 5, our next generation PDA navigation product, in May 2005, and our TomTom RIDER, a new integrated navigation device for motorcycles and scooters, later in 2005.

### **Competitive Strengths**

We believe that we have a number of competitive strengths that position us as a leading provider of personal satellite navigation products, including:

#### ***Innovative, Consumer-Friendly Navigation Products***

We develop our products with an emphasis on innovation, quality, ease of use and value. Our products combine leading-edge technology and distinctive styling with an intuitive user interface. We design all our products with a focus on the end-user experience and the goal of making navigation easy and fun.



Several of our products have been recognised for their high-quality by industry critics. The TomTom GO was recently chosen as RetailVision Europe's Fall 2004 "Best Hardware Product" award and as CNET's 2004 "Best Available Choice for Quality, Performance, Design and Service" among integrated navigation devices in August 2004. The TomTom Navigator has also won multiple product awards, including the PDA Essentials Killer Application and Best PDA Software awards in 2004 and Connect Magazine's 2004 Gold award in the category of PDA-based systems.

#### ***Technology Leadership and Platform Flexibility***

Our products integrate sophisticated navigation software, GPS technology, data compression and wireless networking technology. We invest in research and development to stay at the forefront of these technologies. We believe that through our early focus on personal navigation technologies, we have gained substantial industry expertise that provides us a significant competitive advantage. Our technical team has spent over a decade developing mobile device technology that maximises the navigation experience in the challenging, resource-constrained mobile device environment.

At the centre of our software innovation is our highly adaptable NavCore software platform, which allows us to provide the same high-quality personal navigation experience across a wide variety of devices. The flexibility of the NavCore platform also enables us to adapt quickly to changes in consumer preferences and to provide our navigation applications on a range of consumer devices without expensive or time-consuming re-engineering.

#### ***Diverse and Wide-Ranging Distribution Network***

Our products are sold primarily through retail stores. The bulk of our products are distributed to retailers through several large national and regional distribution companies. We have also developed direct relationships with many of the leading electronics retailers in Western Europe and, more recently, with major electronics retailers in the United States, where we have expanded our operations. We work closely with retailers on in-store merchandising and promotion of our products, putting us in touch with the end-customer and enabling us to better understand consumer trends and behaviour. We also distribute our products through online retail sites and some of our products through the TomTom website.

As a result of our early commitment to the personal navigation market and the high quality of our products, we believe we have built an extensive retail and online distribution network in Western Europe that would require significant time and commitment to duplicate.

#### ***Highly Scalable Business Model***

We focus in-house on key activities such as hardware and software design, and outsource most other activities, including manufacturing and logistics. We work in partnership with our contract manufacturer, logistical partners and with component suppliers to manufacture and package our products in line with increasing or decreasing demand. This model enables us to minimise our investment in manufacturing and storage facilities and to optimise stock levels. We also use common hardware and software platforms for our products to enable efficient manufacturing and development of future products. We design our products to keep costs down by choosing high-quality but low cost components which enable us to obtain efficient high-volume manufacturing. We maintain direct relationships with our key retailers and our customer service and technical support functions are also in-house. We believe that our business model gives us good flexibility in our operations, is highly scalable and allows us to retain key skill sets.

#### ***Market Leadership***

We have been focused on electronic mapping and personal navigation products for close to a decade and on mobile device technology for nearly 15 years. We believe that the personal navigation market presents significant growth opportunities, and that our early focus on this market has enabled us to build a



consumer brand in Europe associated with high-quality navigation products and to gain significant technical expertise. According to Canalys, we were the market leaders in the integrated personal navigation device market in Europe in 2004 with a market share of approximately 52%.

### ***Experienced Management Team***

Our management team has considerable expertise in the personal navigation, mobile device, software development and consumer products industries. We believe that the unique combination of experience of our management team has enabled us to develop category-defining, personal navigation products with broad consumer appeal. In addition, our management team has considerable experience working together at TomTom. Our CEO has been in his current position since 2001, our Sales Director has been a key member of senior management since 1994, and both our Chief Technical Officer and our Technical Development Director have been continuously involved with managing TomTom since it was founded in 1991. We believe our management team's expertise and continuity are key competitive advantages in the rapidly evolving personal navigation market.

### **Strategy**

Our goal is to be a leading provider of high-quality and easy to use personal navigation products that have broad consumer appeal. We seek to achieve this goal by:

#### ***Expanding Our Portfolio of Category-Defining Personal Navigation Products***

We believe that providing a diverse portfolio of personal navigation products and services is critical to our business. We intend to accomplish this by:

- *Expanding our range of integrated and non-integrated products.* We plan to continue to invest significant resources in expanding our range of integrated and non-integrated personal navigation products. We have experienced rapid growth since we began shipping the TomTom GO in May 2004. We believe that adding more functionality to the TomTom GO and expanding this family of products to target new segments of the navigation market are critical to our continued growth. We began shipping our second-generation TomTom GO family of devices in April 2005 with the TomTom GO 300 model, followed by the TomTom GO 500 and 700 models which are expected to begin shipping by the end of the second quarter of 2005. All three models provide wireless internet connectivity through a suitable Bluetooth-enabled mobile phone, and the 500 and 700 series also include hands-free car-kit functionality for use with mobile phones. We intend to update our non-integrated products on an annual basis. In addition, we have announced the planned release of the integrated TomTom RIDER product specifically designed for motorcycles and scooters. We also intend to develop and expand our portfolio of personal navigation products to include products targeted at distribution channels traditionally used to sell dealer-fitted navigation systems.
- *Enhancing the navigation experience.* We recently launched TomTom Plus, our location-based content and services offering to enhance our customers' navigation experience and create additional revenue opportunities for us. We have developed innovative, server-based technology that enables use of wireless internet connectivity to access TomTom Plus content and services, such as dynamic routing based on real-time traffic data, map downloads, software updates, weather information and points of interest databases. We believe that providing content and services in connection with our navigation applications will help build our brand and customer loyalty for our products.

### ***Continuing to Innovate***

We believe that our focus on innovation is critical to our continued success. We plan to maintain our competitive advantage by:

- *Continuously focusing on technical innovation.* We have devoted significant resources to technical innovation and believe this focus on innovation is a significant competitive advantage. In particular, we have invested heavily in navigation software, GPS technology, data compression and wireless network technology and plan to continue our significant investment in these and other areas to enhance our existing products and develop new products.
- *Expanding our product engineering and design capabilities.* We continually seek to expand our product engineering and design capabilities to drive innovation in our products. We are currently increasing our pool of engineers and design specialists, targeting candidates with expertise in software development and testing and product development. We have also recently opened an office in Taiwan, under the leadership of Dr. Wei-Wen Kao, who has focused on GPS technology for nearly 15 years.

### ***Increasing the Depth and Breadth of Our Distribution Channels***

We place great emphasis on our relationships with our distributors and retailers. We intend to enhance these relationships by:

- *Increasing our retail store distribution.* We plan to continue to strengthen and expand our relationships with retail distributors in order to increase the availability of our products. In-store retail distribution is the most important channel for our business. We believe that our retail distribution network in Western Europe is a significant competitive advantage, and we intend to continue to employ resources dedicated to building new relationships with retailers in Western Europe, the United States and other areas where we plan to expand and enhancing our existing relationships to enable us to expand our customer reach.
- *Developing new distribution channels.* We intend to continue introducing new products targeted at new distribution channels. For example, we plan to sell personal navigation products targeted at distribution channels that offer professionally installed dealer-fitted navigation systems and hands-free car-kits. We have also recently entered into relationships with certain automobile manufacturers to provide our products in their vehicles and with automotive dealers at the point of sale. We are currently in discussions with wireless operators and mobile phone manufacturers to distribute the TomTom MOBILE navigation software product for smartphones.

### ***Building the TomTom Brand***

We believe that consumer decisions to purchase our products are influenced in part by brand recognition. Our goal is to build the TomTom brand into the most widely recognised brand in personal satellite navigation in our key markets. We will continue building our brand by developing high-quality products and providing strong customer support, and through advertising, publicity campaigns and industry trade shows.

### ***Expanding our Global Footprint***

To date, our business has been focused primarily on the Western European market. We started operating in the United States in December 2002. We aim to grow our international operations while continuing to solidify our competitive position in our existing markets. We plan to focus on, among others, Central and Eastern Europe, Australia and East Asia as areas for future expansion.

### ***Continuing to Invest in Highly Qualified Personnel***

We believe that the quality and skills of our senior management team and other personnel within the organisation have been critical to our success. We intend to continue placing emphasis on creating a culture that fosters innovation, creativity and teamwork. We also intend to continue to recruit talented, innovative and entrepreneurial personnel in order to support our technology development and growth strategies.

### ***Careful Evaluation and Pursuit of Strategic Opportunities***

We may selectively pursue opportunities to engage in strategic transactions with, or make significant investments in, businesses, products, technologies or innovations that complement our business and growth strategy.

### **Products and Services**

We have recently announced a number of upgrades of our existing products and new products and services. The most significant of these is our second-generation TomTom GO family of products, offered in a range of three new models, the 300, 500 and 700. We began shipping the TomTom GO 300 in April 2005, and we expect to begin shipping the 500 and 700 models by the end of the second quarter of 2005. We also began shipping in April 2005 our second-generation TomTom MOBILE product, the TomTom MOBILE 5, and launched our location-based content and services offering, TomTom Plus, which enables users of our products to access real-time traffic data, map downloads, software updates, weather information and points of interest databases through a wireless internet connection. We expect to begin shipping the TomTom Navigator 5, our next generation PDA navigation product, in May 2005, and our TomTom RIDER, a new integrated navigation device for motorcycles and scooters, later in 2005.

### ***NavCore***

NavCore is our highly adaptable software platform, upon which all of our navigation products are based. Now in its second-generation, NavCore incorporates the innovations we have developed over a period of nearly 15 years in the industry. NavCore enables a versatile and simple-to-use set of features across a wide variety of hardware platforms and operating systems. This platform independence allows our software to be adapted easily to new devices. The features provided by NavCore include:

- an intuitive and simple user interface which allows access to all navigation features with the use of a few simple on-screen buttons;
- door-to-door navigation with automatic re-routing in response to wrong turns, traffic congestion and construction;
- responsive and quick operation of map display, address searches and re-routing;
- comprehensive, graphical, on-screen turn-by-turn map instructions, favourite locations and customisable points of interest;
- mapping and navigation display using two-dimensional, three-dimensional and symbol-based graphics;
- a multi-stop itinerary planner which allows drivers to save routes for later or recurrent use;
- integration with electronic address books, enabling easier destination inputs; and
- access to our TomTom Plus offering with a suitable Bluetooth-enabled mobile phone.

Each of our products offers a combination of these and other features. However, the availability of any particular feature may be restricted for our navigation software applications for PDAs and smartphones because of limitations in the host hardware device.

Owners of our existing products can receive software updates through our website.

### *Integrated Devices*

#### *TomTom GO*

The TomTom GO is our award-winning integrated vehicle navigation device. The original TomTom GO, which we started shipping in Western Europe and the United States in May 2004, is our most popular product. It accounted for approximately 60% of our total revenues in 2004, reflecting approximately eight months of TomTom GO sales during this period.

We began shipping our second-generation TomTom GO family of devices in April 2005 with the TomTom GO 300 model, followed by the TomTom GO 500 and 700 models which are expected to begin shipping by the end of the second quarter of 2005. All three of the new models include a Bluetooth transceiver as standard, enabling wireless connectivity to our TomTom Plus offering via suitable Bluetooth-enabled mobile phones. The TomTom GO 500 and 700 models also are equipped with voice communication capabilities that enable them to be used as hands-free car-kits for Bluetooth-enabled mobile phones. The TomTom GO 500 model will not be available in the United States.

The new models also feature a high-quality speaker for clear verbal navigation cues in approximately 31 languages. An upgraded, anti-glare LCD touchscreen allows the user to plan or modify a journey using large on-screen buttons that locate the correct destination city, street and house number by selecting only a few characters. The full-colour, three-dimensional graphics used in each of the models replicates the driver's view of the road, orienting the viewer to difficult turns and complicated junctions. A low glare night display provides drivers with visual driving directions suitable for night driving. Our integrated devices are transferable between vehicles, are easily installed with the included vehicle mounting kit on the windshield of all vehicles and include a rechargeable battery providing up to five hours of battery power. For longer trips, the device can be charged via the vehicle's cigarette lighter.

The key features of the TomTom GO 300 include:

- all the features of our NavCore software platform, as described above; and
- a single region or country map provided on a removable memory card.

In addition to all the features of the TomTom GO 300, the TomTom GO 500 includes:

- hands-free car-kit capability for use with suitable Bluetooth-enabled mobile phones, allowing the TomTom GO 500 to receive and place calls from the Bluetooth phone using its large colour LCD touchscreen and built-in speaker and microphone;
- one installed map, containing detailed coverage of the region of purchase, together with the major road networks of Europe for long-distance route planning;
- our Assisted Satellite Navigation ("ASN") position augmentation technology;
- an optional remote control, allowing the driver or passengers to program the device and modify routes from beyond arm's-length; and
- a faster processor for more rapid map scrolling and improved screen refresh rates.

In addition to all the features of the TomTom GO 500, the TomTom GO 700 includes:

- detailed maps of all of Western Europe or, if purchased in the United States, a detailed map of all of the United States and Canada, stored in a high-capacity internal hard disk; and
- remote control as a standard feature.

For the TomTom GO 300 and 500, additional maps are available by region or by country on removable memory cards. For European customers, maps of the whole of Western and Eastern Europe, and for North American customers, maps of all of the United States and Canada, are available on CD-ROM for download to the TomTom GO via a PC.

Any of our integrated devices can be further enhanced using a professional docking kit, which allows for a direct connection between the device and the vehicle's power, audio and illumination systems as well as an optional external GPS antenna. With this kit, the device's voice instructions can be heard through the vehicle's built-in audio system, as can mobile phone calls made or received using the 500 and 700 models' hands-free car-kit functionality.

All three models of the TomTom GO can access our location-based content and services offering, TomTom Plus, wirelessly through a suitable Bluetooth-enabled mobile phone.

### *TomTom RIDER*

In March 2005, we announced our first-generation integrated device for drivers of motorcycles and scooters, the TomTom RIDER. We expect the TomTom RIDER to be available to consumers in Europe, the United States and Canada in mid-2005.

The TomTom RIDER has all the same features of the TomTom GO family of integrated devices, including access to our TomTom Plus offering through suitable Bluetooth-enabled mobile phones. We have designed the TomTom RIDER with the operating environment of motorcycles and scooters specifically in mind. As a result, the product features all-weather capability, a sun-visor and a user interface that is usable while wearing gloves. In addition, voice instructions can be heard by the user through an included Bluetooth headset which can be worn inside a helmet.

### *Non-integrated Solutions*

#### *TomTom Navigator*

The TomTom Navigator is our navigation software product for use with third-party PDAs. We currently sell the TomTom Navigator 3 and TomTom Navigator 4 (for Palm), the third generation of our Navigator line of products, to consumers in Western Europe and the United States. We expect to begin shipping the TomTom Navigator 5 in Europe, the United States and Canada in May 2005.

The TomTom Navigator products are built around our NavCore software platform, provide a similar user experience to our integrated devices and include many of the same navigation features. The TomTom Navigator products include our navigation software on a removable memory card for installation on a PDA. TomTom Navigator products are compatible with the leading software operating systems now available in the PDA market, including Microsoft PocketPC and Palm OS. For PDAs without a built-in GPS receiver, GPS functionality is provided through our GPS receiver. We supply both wired and wireless Bluetooth GPS receivers to bring location functionality to the PDA.

We currently have relationships with HP and Palm to sell our TomTom Navigator software product with their PDA hardware in co-branded bundles. We also recently entered into a licensing agreement with HP to install our navigation software on HP PDA hardware. See “—Sales and Marketing—Manufacturer Relationships—PDAs”.

#### *TomTom MOBILE*

The TomTom MOBILE is our navigation software product for third-party smartphones, which we first began shipping in Europe in September 2004. In April 2005, we began shipping in Europe our second-generation navigation software for smartphones, the TomTom MOBILE 5.

The TomTom MOBILE 5 is designed to provide a navigation solution for consumers wherever they carry their smartphone. It provides similar functionality to our TomTom GO and TomTom Navigator families of products, is based on the same NavCore software platform and provides many of the same features. The TomTom MOBILE 5 includes navigation software in a memory card for installation into a third-party smartphone, providing users with real-time GPS location information and route directions. The TomTom MOBILE 5 is compatible with many popular brands and models of smartphones, including the Nokia 6630, 7710 and 9300 models, the SPV C500 from Orange SA, the SDA from T-Mobile International (a subsidiary of Deutsche Telekom AG), the Sony Ericsson P910i and the MPx 220 from Motorola, among others. For smartphones without built-in GPS capability, GPS connectivity is provided through our GPS receiver, which connects automatically to the phone through a Bluetooth wireless connection. Users can make and receive phone calls on their smartphone while TomTom MOBILE 5 provides visual route instructions on the screen.

TomTom MOBILE 5 includes features aimed at the pedestrian user in addition to the vehicle driver, such as on-command phone calls to individual points of interest (for example, restaurants and hotels).

We have recently entered into a relationship with Nokia to sell our TomTom MOBILE 5 software product with some of their smartphone models in co-branded bundles. See “—Sales and Marketing—Manufacturer Relationships—Smartphones”.

### ***TomTom Plus***

We began to offer our location-based content and services offering, TomTom Plus, in April 2005. TomTom Plus offers users of our newly-released navigation products access to real-time traffic data, map downloads, software updates, weather information and points of interest databases through a wireless internet connection using a suitable Bluetooth-enabled mobile phone. It is hosted on our location server, which can deliver content to large numbers of simultaneous users over wireless networks. Our strategy in offering TomTom Plus is to enhance the navigation experience of our customers and differentiate ourselves from our competitors with the objective of promoting our brand and increasing customer loyalty.

### **Competition**

The market for satellite navigation products in each of the geographic markets in which we operate is highly competitive and dynamic, and we expect competition to increase as new companies target this market in response to its high growth potential.

We currently compete primarily in the market segment for personal navigation products, but have also developed distribution relationships with certain automotive manufacturers and intend to expand our portfolio of personal navigation products and distributor relationships to target distribution channels for the dealer-fitted navigation segment. In this market segment, dealers, garages and professional installers currently market and install navigation products produced by companies such as Siemens AG (“Siemens”), Alpine Electronics and Blaupunkt-Werke GmbH.

### ***Competing Products***

#### ***TomTom GO***

Currently, we consider our principal competitors for our TomTom GO line of products to be Garmin, Navman and Magellan, all of which compete with us in the European and United States markets for personal navigation products.

Our TomTom GO line of products will likely face increased competition from personal navigation products offered by our existing competitors, such as Garmin. We could also face increasing competition from software companies such as Navigon GmbH (“Navigon”), ALK Technologies, Inc. (makers of Co-Pilot products) and Homeland Security Technology Corporation (makers of the Destinator line of



products), who install their navigation software into low-cost third-party hardware from vendors such as Mio Technology Limited (“Mio”, a subsidiary of MiTAC International) or Medion AG (“Medion”).

#### *TomTom Navigator*

We currently consider the principal competitors for our TomTom Navigator line of PDA applications to be Destinator and ViaMichelin SA (“ViaMichelin”) in Europe and Garmin’s iQue line and various Navman products in the United States. Non-integrated navigation solutions are often offered through local, short-term bundling relationships between PDA manufacturers and personal navigation companies, including Palm’s relationship with ViaMichelin and HP’s relationships with Navman and Route 66 Geographic Information Systems BV (“Route 66”). Certain of our competitors, including Navigon and Co-Pilot, also bundle their PDA-based navigation software with third-party hardware vendors, such as Mio and Medion, who distribute them through low-cost chain retail outlets.

#### *TomTom MOBILE*

We believe our current principal competitors for our TomTom MOBILE product fall into one of two product categories: navigation software for smartphones which offer map data stored in the handset (“on-board” navigation) and navigation products for mobile phones which use navigation data stored on a network (“off-board” navigation). We believe our primary competitor in the area of on-board navigation is Route 66, which offers navigation software for installation into popular brands of smartphones. Certain retailers and distributors in the markets in which we compete also offer on-board navigation software produced by our competitors, such as Route 66, in bundles with popular smartphone handsets from large mobile handset manufacturers, including Nokia, Siemens and Sony Ericsson Mobile Communications AB. In addition, low-cost competitors, including Navigon and Co-Pilot, provide smartphone-based navigation software to multiple device manufacturers and distribute them through low-cost chain retail outlets. Our primary competitor for off-board navigation products is Wayfinder Systems AB.

### **Sales and Marketing**

#### ***Marketing Strategy***

Our marketing strategy is to continue to make our products more widely known by establishing a consistent brand across all of our products and in all of our markets. We intend to accomplish this by:

- creating a diverse portfolio of high-quality, easy to use navigation products, such as the TomTom GO family of products, which we believe appeal to a wide range of consumers because of their ease of use, distinctive styling and value for money;
- expanding and diversifying our distribution network to ensure our products are available at a large number of relevant points of sale in all of our target markets; and
- in conjunction with certain of our distributors, educating consumers about the high-quality and functionality of our products by participating in industry tradeshows, conducting promotions, product demonstrations and other marketing activities and providing consistent after-sales support.

Our print, internet and broadcast advertising efforts, sales training and public relations are all geared towards increasing our consumer awareness, with an overall goal of increasing our brand strength and market penetration.

We operate with a sales and marketing staff of 94 full and part-time people as of 31 March 2005, divided into regional business development teams with account and retail managers for each of our key markets. Since our distributors play an important role in educating consumers about our products, we have staff in each of our principal markets assigned to coaching, training and providing demonstrations for



distributors and shop-floor personnel in retailers. Senior management maintain direct relationships with all key retailers and distributors.

Our total sales and marketing expenses include marketing development funds and co-marketing funds. Marketing development funds are funds we agree to co-spend with our value-added distributors, who may use these funds only with our approval. We spend co-marketing funds in conjunction with distributors and retailers to conduct joint marketing campaigns. The majority of our marketing investment is made in consumer-focused advertising.

### *Sales*

#### *Retail Sales*

We place great emphasis on our relationships with our retailers. They are the key point of sale for our products, often actively promoting and educating consumers about our products. We seek to benefit from their knowledge of local markets and their ability to reach a large number of consumers through their retail outlets.

We currently market and sell our products in the following 17 countries:

- |           |                   |                  |
|-----------|-------------------|------------------|
| • Austria | • Germany         | • Spain          |
| • Belgium | • Italy           | • Sweden         |
| • Canada  | • Luxembourg      | • Switzerland    |
| • Denmark | • The Netherlands | • United Kingdom |
| • Finland | • Norway          | • United States  |
| • France  | • Portugal        |                  |

We supply the majority of our retailers through an international network of value-added and other distributors. In some cases, we supply retailers direct and we also sell to consumers over the internet. Our value-added distributors play an active role in educating consumers and in promoting our products to the public and retailers.

Our sales and marketing efforts are currently focused on the countries where we believe there is a significant commercial opportunity and for which reliable and high-quality map data is available, specifically in Western Europe and the United States.

Our largest distributor, Ingram Micro (through its subsidiaries across Europe and the United States), accounted for approximately 17% of our total revenues in 2004. Our largest value-added distributor, MCC, distributes our products in The Netherlands, Belgium and Luxembourg, and accounted for approximately 13% of our total revenues in 2004. We do not rely solely on any single distributor in any of our current markets.

We started operating in the United States in December 2002. We are in the process of building our distribution channels in this market. To this end, we have recently developed relationships with large distributors in the United States, such as Ingram Micro (US), Winit, Inc. and D&H Distributing Company.

#### *Point of Sale*

We mostly supply consumer electronics retailers with our products via our distribution network. In a few cases we sell directly to these retailers.

Some of the large consumer electronics retailers that currently sell our products are:

- *France*—Boulanger, Conforama, Darty, Dixons Group, FNAC, Leclerc-Auto, Le Groupe Auchan, Norauto, PC City and Surcouf;
- *Germany*—Auto Teile Unger, Elektronische Partner, Karstadt, Kaufhof, Mediamarkt and Saturn;

- *Italy*—Dixons Group (including Unieuro, and PC City) and Mediamarkt;
- *Spain*—Dixons Group (including PC City) and El Corte Ingles;
- *The Netherlands*—Correct, Dixons, Dunnet Computers, Halfords, Makro, Mediamarkt, Office Center Dynabyte and Quality Centre; and
- *United Kingdom*—CarPhone Warehouse, Comet, Dixons Group (including Dixons, PCWorld, Currys and The Link), Halfords, Maplin, Staples and Woolworths.

Our US sales channels are currently based primarily on direct internet sales to customers rather than on sales through retail outlets, although we have recently begun selling our products in Best Buy, Circuit City, CompUSA and Frys.

No single consumer electronics retailer represented more than 7% of our revenues in 2004.

Small independent consumer electronics retailers, sales through our website and third-party internet sellers, including Amazon.com, Comet, Dixons and Currys, also accounted for a small portion of our revenues in 2004.

### ***Manufacturer Relationships***

We also market and sell our products through relationships with certain major manufacturers of PDAs, vehicles and smartphones.

#### *PDAs*

Many PDA manufacturers offer navigation features with their products to increase the functionality and appeal of these products. We have developed relationships with HP and Palm to sell our TomTom Navigator software products in co-branded bundles with their PDA hardware. In general, we manage the bundling process, designing the co-branded packaging and then shipping the packaging materials and the TomTom Navigator product to our distributors. These distributors also receive the PDA hardware from the manufacturer and then re-sell the bundled product to retailers. The distribution of these bundled products is handled through both our existing distribution channels and the manufacturers' channels.

We recently entered into a licensing agreement with HP to install our navigation software in certain HP PDAs. The PDA will include our installed navigation software and one city map with the option to purchase additional maps on our website.

#### *Automotive*

We recently entered into a pan-European agreement with Toyota to offer buyers of their Aygo model the option to purchase a customised version of our TomTom GO product. The Aygo features a modified dashboard with a permanent receptacle for the TomTom GO to be mounted in the car, allowing the device to use the car's built-in speakers and power system and to be removed by the driver at the end of the journey. We also recently entered into an agreement with Opel to provide buyers of their Corsa car with a TomTom GO as part of their purchase.

In addition, since September 2004, we have been selling a limited quantity of our TomTom GO products to automobile manufacturers and vehicle dealerships, who typically offer the TomTom GO in their accessory catalogues or as an incentive to induce their customers to purchase a vehicle. The manufacturers and dealers generally agree to cover promotional expenses, installation and customer education costs for the TomTom GO at the time of sale. To date, these promotional programs have taken place on both a national and regional level in Austria with Jeep, in Belgium with Nissan and Citroën, in France with Mitsubishi and Smart, in Germany with Renault and in The Netherlands with Citroën, BMW and Alfa Romeo.

### *Smartphones*

We have developed relationships with several smartphone manufacturers. We have a relationship with Nokia to sell our TomTom MOBILE software products in co-branded bundles with their handsets. We manage the bundling process, design the co-branded packaging and then ship the packaging materials and the TomTom MOBILE product to our distributors. These distributors also receive the handsets and then re-sell the bundled product to retailers. The distribution of these bundled products is generally handled through both our existing distribution channels and the manufacturers' channels.

### *Corporate Sales*

We are pursuing relationships with certain companies, including vehicle hire companies and transport companies which need navigation capabilities for their vehicle fleets. We are currently in the early stages of developing relationships with these and similar types of companies, although there can be no assurance that these relationships will develop or be successful.

## **Product Research and Development**

### *Overview*

It is critical to our business strategy and our continued growth that we maintain a technological edge over our competitors. We have devoted and will continue to devote significant resources to research and development of new technologies and improvements to our existing products.

As of 31 March 2005, our research and development staff consisted of 66 full or part-time personnel, or approximately 28% of our total employees. Our research and development staff have extensive experience working on software development, hand-held mobile devices architecture, data processing and data compression techniques, small-screen user interface design, GPS system engineering and positioning and communications technologies. To date, we have experienced low turnover among members of our research and development staff. We intend to significantly grow our research and development staff in the future.

### *Product Development Process*

Our research and development staff is composed of software engineers, an engineering design group, product managers and test engineers who together form flexible multi-member project teams that maintain a close working relationship throughout the life of a new product design project. Our Chief Technical Officer, our Technical Development Director and our Development Director oversee the product development process. Our project teams receive input from a wide variety of sources, such as our customers, our sales and marketing personnel, our distribution and retail partners, our suppliers and our contract manufacturer. We also conduct prototype-specific customer focus groups, field interviews and analysis of our sales to better understand consumer preferences.

Our policy is to develop all software in-house whenever possible. We believe this allows us to develop our software components with our own quality-control and testing at every stage of the software development process and to cultivate in-house expertise in areas which are or which may later prove to be critical to the functionality of our products. Whenever possible, we avoid using temporary workers, outsourcing software development or purchasing and licensing off-the-shelf software from third parties. In certain highly specialised areas we licence software, such as voice or handwriting recognition software, which offer generic functionality and which we could not cost-effectively develop in-house. Our software outsourcing to date has been limited to licensing speakerphone software and connection libraries for use in our new TomTom GO models. On occasion we use contractors for certain highly specialised development work and may continue to do so in the future.

Our hardware electronics design is done in-house. Much of the detailed hardware development is carried out by engineers employed by our contract manufacturer under our leadership and direction. We recently opened an office in Taiwan, staffed with experienced development personnel, who will help manage our relationship with our contract manufacturer.

### ***Notable Innovations***

The design and engineering environment for personal navigation products is characterised by high memory requirements, limitations on size, processing power and power output, battery capacity and small screen sizes. We believe we have developed optimal solutions which address these requirements. Our products integrate the innovations we have developed over a period of nearly 15 years in the following areas:

- *NavCore.* Our NavCore software platform, now in its second-generation, enables us to provide users of all our products with a consistent, high-quality set of options and features. NavCore enables optimised and fast route planning algorithms, map rendering in real-time and quick search methods to find locations and addresses. NavCore is capable of functioning in any mobile device with sufficient memory and processing power and is compatible with popular operating systems, including Linux, Windows, Windows CE.Net, Pocket PC, Microsoft Smartphone, Palm/OS and all Symbian/OS variants. This flexibility allows our software to adapt easily to new devices. NavCore also ensures that all our products have a similar look and feel, regardless of the platform on which they operate.
- *Positioning Technology.* Our products utilise GPS-related positioning technology and position augmentation technologies that require no data input from the vehicle, such as vehicle speed or a gyroscope reading. We combine common augmentation techniques such as map-matching and dead-reckoning in all our products which have our ASN technology, namely the original TomTom GO and the TomTom GO 500 and 700 products. Our ASN technology can track vehicle turns and uses the pre-planned route to estimate current position during GPS signal interruption.
- *Data Compression.* Our advanced data compression technology allows us to provide maps that are detailed and fast to access. The efficient compression of the raw map data we receive allows us to provide compressed maps on relatively small memory cards that would be much more expensive to provide at higher memory capacities.
- *Location Servers.* We have developed proven location server technology designed to provide wireless internet connectivity, enabling us to deliver real-time location data to large numbers of simultaneous users of mobile phones and other wireless devices. This technology is critical to enabling our location server to effectively provide our TomTom Plus offering over wireless networks.
- *Software Development Kit.* The versatility of our software has allowed us to create a low-cost, open-architecture SDK, now in its third generation, which allows third-party developers and systems integrators to build customised navigation systems around our NavCore-based products. As a result, third parties are able to create business-to-business applications that are based on our software platform and that allow our navigation products to be integrated into their IT systems.

### **Manufacturing**

In order to keep costs low and focus our resources on design and innovation, we outsource the manufacturing and related engineering tasks as well as assembly of our integrated products, in accordance with our design and specifications, to our contract manufacturer, Inventec Appliances Corporation. Our contract manufacturer has operations and development teams in Taipei, Taiwan and in Shanghai and Nanjing, China. All of our integrated devices are produced in Taiwan, and certain component parts are

produced in China. Certain component parts, such as wired and wireless GPS receivers, are manufactured by other third parties.

We have a long term agreement with our contract manufacturer which is in effect until 2009. We pay our contract manufacturer in US dollars per unit produced. We retain rights to all of our intellectual property.

Prior to submitting a product forecast, we work closely with our distributors and retailers to generate a detailed projection of the number of units required. Based on our forecasts of the number of units we will require, our contract manufacturer will order the requisite component parts from its suppliers 16 to 20 weeks prior to delivery. We are not a party to these supplier contracts, but do maintain a few direct supplier relationships. As the date of delivery approaches, our ability to modify our unit forecast diminishes until we finalise the forecast as a purchase order one month prior to shipment. Until that date, we have the option to modify the forecast on a decreasing percentage basis as the shipment date approaches.

Our experience in developing personal navigation products, combined with our contract manufacturer's expertise in producing high-quality consumer electronics products in short time-to-market cycles, allows us to integrate our hardware and software innovations into new products in response to changing market demand. We work closely with our contract manufacturer to implement quality control procedures and carefully scrutinise our hardware for product quality and consistency. By the end of the pre-production process, our products have been subject to multiple internal and external tests of both the product design and the manufacturing process.

After production is complete, ModusLink receives our products from our contract manufacturer along with certain components from other suppliers, such as manuals, power adaptors, SD memory cards and cables. ModusLink provides us with a range of supply-chain services, including packaging, assembly, testing, localisation, shipment and tracking. We configure our product shipments by country and language as late as possible in the supply process in order to ensure that we have flexibility to shift stock inventory as needed to help fulfil customer demand in one market while seeking to avoid excess inventory in another.

Our contract manufacturer provides a manufacturer's warranty of two years from the date of manufacture for our TomTom GO and TomTom RIDER products.

## **Suppliers**

### ***Hardware***

Certain suppliers of electronics components provide hardware to our contract manufacturer. We are party to a limited number of the supply contracts with these suppliers. The hardware for our integrated products is designed to accommodate specific parts from several key component suppliers, particularly electronics component suppliers including SiRF Technology Holdings, Inc., NEC Corporation, Seagate Technology LLC and Samsung Corporation. Although these component parts are available from a number of suppliers, we require our contract manufacturer to rely on a single supplier for most component parts because of our need for design consistency. If there are shortages of certain components during periods of high demand, we could face difficulty fulfilling orders. Should any of our suppliers be unable to meet our needs at all, for any reason, it could take several months to modify our hardware to accommodate comparable substitute electronic components.

We have a one-year exclusive contract with Globalsat for the development, manufacturing and assembly of our Bluetooth-enabled GPS receiver. Based on our forecasts of the number of units we will require, Globalsat orders the requisite component parts to assemble the GPS receiver to our specifications. As the date of delivery approaches, our ability to modify our unit forecast diminishes until we finalise the forecast as a purchase order one month prior to shipment. Until that date, we have the option to modify the forecast on a decreasing percentage basis as the shipment date approaches.

We purchase certain software and component parts for our products directly from suppliers, including Supatech, TwinMOS Technologies Europe BV, Sandisk Corporation, Kingston Technology Company, Inc. and AK2. These component parts are sometimes made to the specifications of our hardware and software products. We generally do not have written long-term agreements with these suppliers and we rely on a single supplier for some of these component parts. However, we own the moulds and machine tools used to produce the non-electronic components in our hardware and therefore could seek new suppliers on short notice.

### **Data**

We depend on certain companies to supply us with mapping and other data for our entire line of products.

One of our key supplier relationships is with Tele Atlas, which provides the raw map data for Western Europe and the United States that we use in the navigation software for most of our products. We have a non-exclusive three-year agreement with Tele Atlas, which has licensed its map data to us for commercialisation until the end of 2007. Tele Atlas generally provides us with raw map data at least twice a year, which we review for errors before compressing the data. Tele Atlas has the right to modify or discontinue its map products with notice to us.

We also have non-exclusive agreements to license map data from Navteq and AND. Our relationship with Navteq allows us to use its map data until 2008, and commits us to use Navteq map data for all our TomTom RIDER products. Our agreement with Navteq also includes a co-marketing fund provided by Navteq for the conduct of annual joint marketing campaigns. Our relationship with AND allows us use of its map data until April 2006.

Upgraded map data from all of our map data providers is made available to our existing customers for a reduced price on CD-ROM or removable memory card.

We work with Eurotraffic BV, a Dutch company which collects raw traffic data in Western Europe and with whom we have a one-year non-exclusive licensing agreement until April 2006 for use of traffic data on a real-time basis. We also receive real-time traffic information from Mediamobile SA in France and TeleAtlas in the United States, and we are working to establish direct relationships for the supply of traffic data with various local providers of traffic information. We use traffic data in support of real-time traffic information provided to our customers in Europe through our TomTom PLUS offering.

### **Customer Service**

Prior to 2005, the warranty periods for all of our products have generally been 12 months from date of purchase. In April 2005, we increased our warranty period for all our products to 24 months from the date of purchase. In general, product returns under warranty are made either to the retailers who sold the product or to our distributors. The retailers and distributors return the product to ModusLink for evaluation, repair and return of the product within 10 days of receipt. ModusLink maintains an inventory of our products which we use to replace defective products if they are not repairable within 10 days.

We work with our contract manufacturer to establish quality control procedures throughout the development and manufacturing of our TomTom GO line. Quality control and testing of our TomTom Navigator and TomTom MOBILE products are provided by our employees working in conjunction with our logistical partner, ModusLink, on site at their packaging and assembly facilities. Historically, our product failure rate has been less than one percent across all our integrated products. The failure rates for our non-integrated solutions vary, and are generally a function of the failure rates of various software or hardware components as well as reliability of the host third-party hardware. For those component failures attributable to our component parts, we have found that certain failure rates are higher than that of our



integrated products, but the cost and difficulty involved in repairing and replacing defects in our non-integrated solutions is generally lower.

We provide after-sales service and support via our website, which contains frequently-asked questions and answers designed to assist users in solving common problems. We also provide European helpdesk support in multiple languages from our call centre in Amsterdam and helpdesk support to our customers in the United States from our offices in Concord, Massachusetts. We keep our customer service functions in-house because we believe this approach provides us with valuable feedback to continue to improve our product and service offerings.

## **Intellectual Property**

### ***Introduction***

Our success and ability to compete is largely dependent on our ability to develop and maintain the proprietary aspects of our technology and to operate without infringing upon the proprietary rights of others. We rely on a combination of trade secret and trademark laws, confidentiality and non-disclosure agreements, copyrights and registered and unregistered design rights to protect our rights to the intellectual property in our products. We do not have any patents for our technology to date. In the future, we intend to focus our intellectual property policy increasingly on the creation, capture and ongoing protection of patentable innovations, in addition to relying on trade secrets, know-how, copyrights, trademarks and continuing product development and have established a policy of actively seeking, when appropriate, protection for our products, technologies and proprietary information through Dutch, UK, US and other relevant foreign patents. To this end, we have recently established procedures within both our software and hardware engineering departments to allow us to obtain patent protection for our innovations in the areas of software architecture, data compression and processing, positioning software and wireless data transmission.

### ***Trademarks***

We believe that personal navigation is a field in which rapid and continuous innovation is key to our success. As a result, the association of our brand with the latest innovations is critical to our ability to grow market share. Accordingly, our success and ability to compete is dependent in part on our ability to protect from misappropriation our brand, “TomTom” trademarks and certain elements of the TomTom look and feel. We hold registered trademarks or have trademark applications pending in all the key countries in which we operate for our company logo and several other distinctive names and images. We face the risk that one or more of the above trademark applications may be denied in a key country in which we operate. As of the date hereof, we know of opposition existing to our trademark application for the mark “TomTom” in Spain. Such opposition has resulted in a partial refusal to register this trademark in Spain, and may result in a full refusal if our opponent’s appeal is granted. Our trademark applications with the US Patent and Trademark Office have been temporarily refused by the examiner due to a possible conflict with a pre-existing application. The pre-existing application belongs to the same party that has filed opposition in Spain.

We may not be able to successfully use, register or defend our trademarks in every country in which we operate, or we may be required to pay a licensing fee or damages or alter our brand in certain markets due to challenges to our trademarks. See “Risk Factors—We may not be able to protect our intellectual property.”

### ***Patent Applications and Trade Secrets***

As of the date hereof, we have four published patent applications pending in the United Kingdom as well as corresponding PCT applications pending on the basis of those patent applications for a touch screen utility enabling the user to task away from the navigation map to a menu screen displaying route



recalculation options, the integration of navigation software with a personal contacts application, such as an electronic address book, a utility enabling the user to obtain an on-screen simulation of the intended route and a touch screen display allowing screen access to device functions. In addition, in February and March 2005 we filed two PCT patent applications which are as yet unpublished with respect to certain ancillary features of our existing products. We have a further three unpublished UK applications with corresponding PCT applications pending. We also intend to apply for national patent protection in several PCT member countries. We have a further published patent application in the United States for our innovations in the area of screen interface functionality.

We cannot provide any assurances that any of our patent applications will result in an enforceable patent or a patent that sufficiently protects our interests. Moreover, patent rights are only recognised in the jurisdiction in which they were issued and do not provide any assurance that we can prevent any activities elsewhere by third parties which we perceive to be infringements. See “Risk Factors—We may not be able to protect our intellectual property”. In addition, we have faced in the past and may in the future face claims that we are infringing the intellectual property rights of others. If any of our products are found to infringe the intellectual property rights of others, our development, manufacture and sale of such products could be severely restricted or prohibited. See “Risk Factors—We may be faced with claims that we infringe the intellectual property rights of others.”

Much of our technology and innovations depends upon the knowledge, experience and skills of our personnel. To protect rights to our proprietary know-how and technology, we have generally, but not always, required employees, contractors, consultants and advisors to enter into confidentiality agreements that prohibit the disclosure of confidential information. The agreements with employees and consultants also require acknowledgement of our rights to, or assignment to us of rights to, ideas, developments, discoveries and inventions. These agreements may not effectively prevent disclosure of our confidential information, provide meaningful protection for our confidential information or assign to us all such intellectual property rights. We do not generally employ third-party software or hardware development staff, although we do at times use independent contractors.

### *Software*

As a practical matter, we believe our key software innovations and, in particular, our NavCore software platform, enjoy a certain degree of security from infringement, due to their inherent complexity. Our NavCore software platform does not enjoy patent protection and we are not eligible to apply for such protection. However, we should in principle enjoy copyright protection for our software in The Netherlands and elsewhere in the EU, subject to the limitations which are inherent to copyright protection of software programs. Dutch law does not provide for registration of copyrights. See “Risk Factors—We may not be able to protect our intellectual property.” Outside the EU, copyright protection for the software may be even more limited, such as in the United States, where we cannot collect damages for infringements without registering our copyrights, which we have not done. In some jurisdictions copyright protection may not be available at all. In some cases, it may be possible to obtain patent protection for various aspects of software. See “Risk Factors—We may not be able to protect our intellectual property” for a discussion of the risks associated with lack of protection for our patents and other intellectual property. As discussed above, we have sought patent protection, when appropriate, only for more recent software developments.

We enter into licensing agreements for the use of certain elements of our software. We have included confidentiality and non-disclosure provisions in such licensing agreements. However, these agreements may not effectively prevent disclosure of our confidential information or provide meaningful protection for our confidential information. No third parties with whom we have licensing arrangements have access to our NavCore software platform.

The TomTom GO devices operate on the Linux open source platform. While we believe that this has assisted us in keeping our system flexible, using open source means that certain improvements that we make to this Linux platform must be disclosed and provided to the open source community. We have been required in the past to disclose and make available, pursuant to an open source license, information which we were not aware should have been considered a part of the open source platform. We believe that our NavCore software platform is protected from an open source obligation to disclose because it does not depend on open source materials for any of its functionality. There are disputes from time to time regarding the use of open source code which may mean that we have incorporated code into our products which is not free to the public. Such disputes may require us to alter or stop using the product in which the code is incorporated and pay royalties, including for our prior use of such code.

## **Regulation**

The use of all our personal navigation products is dependent on the availability of GPS satellite transmissions. The GPS network is owned and operated by the US government, which may place restrictions on the use of GPS technology in commercial applications or in certain areas of the world. Current US government policy is to provide GPS transmissions free of charge, but we cannot provide assurance that the US government will continue to do so. Restrictions on the use of GPS transmissions or an end to the free use of GPS signals could significantly disrupt our business or increase our costs.

GPS signals are transmitted in radio frequency bands that are allocated globally for satellite navigation services by an international organisation known as the International Telecommunications Union (“ITU”). Any ITU reallocation of radio frequency spectrum, including frequency band segmentation or sharing of spectrum, could interfere with GPS signal transmission and consequently make it more difficult for our products to provide effective and accurate positioning information to our customers.

Because GPS navigation technology is subject to customs duties when imported into the EU, we pay such duties on the receipt of our integrated navigation devices and GPS receivers from our contract manufacturer. We pay a per-unit customs tariff for each product we bring into the EU, and we can provide no assurance that these duties will not increase or be extended to apply to certain other products of ours or component parts of these products.

The EU has adopted the WEEE Directive, regulating the disposal of certain electronic products, and the RoHS Directive, prohibiting the use of certain chemicals in certain electronics products. The WEEE Directive must be adopted into the law of EU member states by 13 August 2005, and the RoHS Directive requires EU member states to enact laws that will affect consumer electronics products sold after 1 July 2006. In ensuring our procedures, practices and products comply with both the WEEE and the RoHS Directives, we may need to modify the design of certain of our hardware products, substitute new components or change our product disposal and repair procedures.

Foreign exchange control and other similar laws and regulations in the various jurisdictions where we market and sell our products or purchase our component parts may have an effect on our cash flows.

## **Facilities**

Our head office is located in Amsterdam, The Netherlands in a new office we began occupying in January 2005. We hold a lease on this property until 1 January 2011, with the option of subsequent renewal periods of five years each. We also have the option to terminate this lease with 12 months written notice. We also lease another property in Amsterdam, the site of our former head office, which we intend to sublease to a third party until the lease term expires in 2007.

We also lease offices in London, Great Britain; Taipei, Taiwan and Concord, Massachusetts, USA. Our London office serves as the headquarters of our United Kingdom sales and hardware development

activities. Our Taipei office, opened in 2005, allows us to maintain a close working relationship with our contract manufacturer. Our US office serves as the headquarters for our North American operations.

### **Legal Proceedings**

In 2005, we became involved in a legal proceeding in The Netherlands with a former finance officer resulting from the termination of our arrangements with him in late 2004 and early 2005. In addition to asserting that we owe him monetary compensation, he claims that approximately 6,000 stock options were granted to him in 2004 (which represent approximately 328,898 options after the Reorganisation). Although these options are currently in dispute, we have included them as part of our total option expenses on our income statement for the year-ended 2004. We believe that the disposition of this matter will not have a material adverse impact on our financial position or results of operations.

In the ordinary course of our business we may become involved in litigation arising from claims against us or by us against others. We are not currently aware of any material claims or actions threatened or pending, nor are we a party to any legal matter material to our business, results of operations or financial condition.

## MANAGEMENT AND EMPLOYEES

### Management Structure

We have a two-tier board structure consisting of a Management Board (*Raad van Bestuur*) and a Supervisory Board (*Raad van Commissarissen*).

### Management Board

#### *Powers, Composition and Functioning*

The Management Board is responsible for the day-to-day management of our operations under the supervision of the Supervisory Board. The Management Board is required to keep the Supervisory Board informed, consult with the Supervisory Board on important matters and submit certain important decisions to the Supervisory Board for its prior approval, as described below. See “—Supervisory Board”.

The Management Board may perform all acts necessary or useful for achieving our corporate purpose, with the exception of those acts that are prohibited by law or by our Articles of Association. The Management Board as a whole is authorised to represent us, as are any two members of the Management Board acting jointly.

The General Meeting of Shareholders appoints members of the Management Board, subject to the right of the Supervisory Board to make a binding nomination in accordance with the relevant provisions of the Dutch Civil Code. The General Meeting of Shareholders may at all times, by a resolution passed with a majority of at least two-thirds of the votes cast representing more than 50% of our issued share capital, resolve that the nomination submitted by the Supervisory Board is not binding. In such cases the General Meeting of Shareholders may appoint a member of the Management Board in contravention of the Supervisory Board’s nomination by a resolution passed with a majority of at least two-thirds of the votes cast representing more than 50% of our issued share capital. If the Supervisory Board fails to use its right to submit a binding nomination, the General Meeting of Shareholders may appoint members of the Management Board with a majority of at least two-thirds of the votes cast representing more than 50% of our issued share capital.

Our Articles of Association provide that the number of members of the Management Board will be determined by the Supervisory Board, and will consist of a minimum of three members. Each member of the Management Board is appointed for a maximum of four years, which appointment can be renewed for another period of not more than four years at a time. The General Meeting of Shareholders and the Supervisory Board may suspend Management Board members at any time. A resolution of the General Meeting of Shareholders to suspend or dismiss members of the Management Board requires a majority of at least two-thirds of the votes cast representing more than 50% of our issued share capital.

In accordance with our Articles of Association, a meeting of the Management Board may be convened at any time. Decisions of the Management Board are taken by majority vote. In addition, our Articles of Association require decisions of the Management Board to also be approved by the Supervisory Board for, amongst others, the following matters:

- the granting of approval for the transfer of any of our preference shares;
- the issue or acquisition of any of our shares or debt instruments, or of debt instruments issued by a limited partnership or general partnership of which we are a fully liable partner;
- the application to or withdrawal from listing on any stock exchange of any of our shares or debt instruments, or of debt instruments issued by a limited partnership or general partnership of which we are a fully liable partner;
- entry into or termination of a partnership, joint venture or other long-term contractual arrangement involving us or a dependent company (*afhankelijke maatschappij*) with another legal entity or as

fully liable partner in a limited partnership or general partnership, if such cooperation or termination is material to our operations;

- participation by us or by a subsidiary of ours in the capital of another company valued at 25% or more of our issued share capital plus reserves, according to our most recently adopted annual balance sheet, as well as a significant increase in or reduction of such a participating interest;
- entry into any investments involving an amount equal to 25% or more of our issued share capital plus reserves, as shown in our most recently adopted annual balance sheet;
- a proposal to amend our Articles of Association;
- a proposal to dissolve (*ontbinden*) us;
- a proposal to conclude a legal merger (*juridische fusie*) or a demerger (*splitsing*), involving us;
- an application for bankruptcy (*faillissement*) and for suspension of payments (*surséance van betaling*) by us;
- termination of the employment of a significant number of our employees or employees of a subsidiary within a short period of time;
- material changes in the employment conditions of a significant number of our employees or the employees of a dependent company (*afhankelijke maatschappij*) of ours; and
- a proposal to reduce our issued share capital.

Decisions of the Management Board involving a significant change in our identity or character are subject to the approval of the General Meeting of Shareholders. Such changes include:

- the transfer of all or substantially all of our business to a third party;
- the entry into or termination of a significant joint venture of ours or of any of our subsidiaries, with another legal entity or company or of our position as a fully liable partner in a limited partnership or a general partnership; and
- the acquisition or disposal, by us or any of our subsidiaries, of a participating interest in the capital of a company valued at 33% or more of our assets according to our most recently adopted consolidated annual balance sheet.

### ***Members of the Management Board***

The Management Board is currently composed of the following three members:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Member Since</u>	<u>Term</u>
Harold Goddijn . . . . .	45	Chairman of the Management Board, Chief Executive Officer	13 May 2005	13 May 2009
Alexander Ribbink . . . . .	41	Member of the Management Board, Chief Operating Officer	13 May 2005	13 May 2009
Marina Wyatt . . . . .	41	Member of the Management Board, Chief Financial Officer	13 May 2005	13 May 2009

The business address of all members of our Management Board is Rembrandtplein 35, 1017 CT Amsterdam, The Netherlands.

#### ***Harold Goddijn***

*Chairman of the Management Board and Chief Executive Officer.* Mr. Goddijn studied economics at Amsterdam University, and started his career with a venture capital firm. He founded Psion Netherlands

BV in 1989 as a joint venture with Psion Plc, and co-founded TomTom in 1991 with Peter-Frans Pauwels and Pieter Geelen. Psion Netherlands BV became a key European distributor for Psion, and Mr. Goddijn was later appointed Managing Director of Psion Computers in 1998. From 1998 to 1999, he also served on the Management Board of Psion Plc. He was appointed our Chief Executive Officer in 2001 after leaving Psion, where he had worked from 1989 to 1999. He is married to our Sales Director, Corinne Goddijn-Vigreux.

*Alexander Ribbink*

*Chief Operating Officer.* Mr. Ribbink graduated with a Master's degree in law from Amsterdam University and then completed an MBA at the Rotterdam School of Management, Erasmus Graduate School of Business Administration. He spent 11 years with Unilever, specialising in consumer marketing and general management, becoming vice-president for brand development for one of its largest Dutch food subsidiaries. Mr. Ribbink later managed a key European business unit for Mars, Inc. ("Mars"). He joined us to head our marketing efforts in November 2003 and was appointed Chief Operating Officer in 2004.

*Marina Wyatt*

*Chief Financial Officer.* Ms. Wyatt graduated from Cambridge University with a degree in geography. She is a chartered accountant and a Fellow of the Institute of Chartered Accountants in England and Wales. Her previous experience includes nine years with Arthur Andersen in London and Chicago, working mainly in the audit practice, and six years as Group Finance Director of Psion Plc. From 1998 to 2000, Ms. Wyatt served as non-executive director on the Board of Symbian Ltd. Most recently, Ms. Wyatt served for more than two years as the Chief Financial Officer of Colt Telecommunications Plc. She joined us as Chief Financial Officer in February 2005.

## **Supervisory Board**

### ***Powers, Composition and Functioning***

The Supervisory Board was established on 13 May 2005.

The Supervisory Board is responsible for supervising the conduct of the Management Board and the general course of our business, as well as for providing advice to the Management Board. In performing its duties, the Supervisory Board is required to act in the interests of our business as a whole. The members of the Supervisory Board are not authorised to represent us in dealings with third parties.

The General Meeting of Shareholders appoints the members of the Supervisory Board, subject to the right of the Supervisory Board to make a binding nomination. The General Meeting of Shareholders may at all times, by a resolution passed with a majority of at least two-thirds of the votes cast representing more than 50% of our issued share capital, resolve that the nomination submitted by the Supervisory Board is not binding. In such case, the General Meeting of Shareholders may appoint a member of the Supervisory Board in contravention of the Supervisory Board's nomination by a resolution passed with a majority of at least two-thirds of the votes cast representing more than 50% of our issued share capital. If the Supervisory Board fails to use its right to submit a binding nomination, the General Meeting of Shareholders may appoint members of the Supervisory Board with a majority of at least two-thirds of the votes cast representing more than 50% of our issued share capital.

Our Articles of Association provide that the number of members of the Supervisory Board will be determined by the General Meeting of Shareholders, and will consist of a minimum of three members. Each member of the Supervisory Board is appointed for a maximum of four years, which appointment can be renewed for two additional periods of not more than four years at a time. The members of the Supervisory Board retire periodically in accordance with a rotation plan to be prepared by the Supervisory



Board. The Supervisory Board appoints a chairman and a deputy chairman from amongst its members. The General Meeting of Shareholders may suspend Supervisory Board members at any time. A resolution of the General Meeting of Shareholders to suspend or dismiss members of the Supervisory Board requires a majority of at least two-thirds of the votes cast representing more than 50% of our issued share capital.

In accordance with our Articles of Association, a meeting of the Supervisory Board may be convened at any time by one of the members of the Supervisory Board or by the Management Board. At least four times annually, the Supervisory Board must meet formally in conjunction with a meeting of the Management Board. At least once annually, the Supervisory Board must meet independently of the Management Board to discuss issues relating to its own functioning, composition and size and the powers, composition and functioning of the Management Board. In addition to these formal meetings, the members of the Supervisory Board must maintain regular informal contact and meet when necessary, either in person or via teleconference.

Decisions of the Supervisory Board are taken by majority vote.

The Supervisory Board will be assisted by the company secretary, who will be appointed and dismissed by the Management Board, subject to the approval of the Supervisory Board.

### *Members of the Supervisory Board*

The Supervisory Board is composed of the following four independent members:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Member Since</u>	<u>Term<sup>1</sup></u>
Benno Hoogendoorn . . . . .	59	Chairman of the Supervisory Board	13 May 2005	13 May 2009
Andrew Browne . . . . .	49	Member of the Supervisory Board	13 May 2005	13 May 2009
Guy Demuyck . . . . .	54	Member of the Supervisory Board	13 May 2005	13 May 2009
Doug Dunn . . . . .	61	Member of the Supervisory Board	13 May 2005	13 May 2009

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(1) Our Supervisory Board will adopt a rotation schedule to avoid a situation in which our Supervisory Board members retire at the same time.

The business address of all members of our Supervisory Board is Rembrandtplein 35, 1017 CT Amsterdam, The Netherlands.

### *Benno Hoogendoorn*

*Chairman of the Supervisory Board.* Mr. Hoogendoorn studied at Erasmus University in Rotterdam and graduated with a degree in business economics, specialising in information technology. He started his career with General Electric Information Services, where he worked for ten years in management roles in manufacturing, development and marketing. He then spent 25 years in various positions with Mars including General Manager-Austria, Managing Director-Continental Europe and President Europe-Snackfoods. In 1999, he was appointed as worldwide Co-President and CEO for Mars, from which he retired in 2004.

Mr. Hoogendoorn currently serves as a non-executive board member of Mars, where he is a member of the Audit and Remuneration Committees, as well as an advisor to the Management Board. He is also President of the Supervisory Board of Masterfoods NV in The Netherlands. Mr. Hoogendoorn is a member of the Supervisory Board of Royal Ahold NV. He is also a member of the Supervisory Board of Vilenzo International NV, a company that went into bankruptcy in November of 2004.



*Andrew Browne*

Mr. Browne earned a Masters in Business Administration from Trinity College in Dublin. He is a Certified Public Accountant and is a member of the Institute of Certified Public Accountants in Ireland. From 1985 to 1995 he worked for Advanced Micro Devices in California and in various locations in Asia, leading AMD's financial sales and marketing operations in Asia and eventually worldwide. In 1995, Mr. Browne became Chief Financial Officer and deputy CEO of Intelsat, the International Telecommunications Satellite organization. Since 1998, Mr. Browne has served as Vice President, Chief Financial Officer and Director of New Skies Satellites BV.

*Guy Demuynck*

Mr. Demuynck earned Masters degrees in Applied Economics and Marketing & Distribution from the Universities of Antwerp and Ghent, respectively. He began his career with Royal Philips Electronics NV, where he worked for 26 years in various commercial and marketing roles in Europe, the United States and East Asia, culminating in his appointment as CEO of Philips Consumer Electronics division in 2000. As CEO of Philips Consumer Electronics, he also served as a member of the Philips Group Management Committee until December 2002. Mr. Demuynck joined the Board of Management of Royal KPN in January 2003, with responsibility for KPN's mobile division, operating in Germany, The Netherlands and Belgium.

Mr. Demuynck currently serves on the Supervisory Boards of Xantic BV and E-Plus Mobilfunk GmbH & Co. KG.

*Doug Dunn*

Mr. Dunn earned a degree in electrical engineering at the University of Sheffield. He worked in various management positions for General Electric, Motorola, GEC Plessey Semiconductors and Philips in the United States, France and The Netherlands before serving as Chairman and CEO of Philips Sound & Vision International BV from 1996 to 1998. In 1999 he joined ASML Holding NV as a member of the Executive Board with responsibility for operational affairs, and went on to serve as CEO from 2000-2004. He retired from the Board in 2004 and continued to serve as an advisor to ASML in 2005.

Mr. Dunn currently serves as a non-executive Board member of ARM Holdings Plc and Sendo Holdings Plc and as a member of the Supervisory Boards of Soitex SA and STMicroelectronics NV. He also serves on the board of Micro Electronics Development for European Applications (MEDEA), an EU-supported collaborative microelectronics research organisation.

**Senior Management**

Our Management Board is supported by our senior management team.

*Corinne Goddijn-Vigreux*

*Sales Director*

Mrs. Goddijn-Vigreux studied International Business in Paris at EPSCI (ESSEC Group). From 1987 to 1993, she worked for Psion Plc and left as International Sales Manager, having helped establish its European distribution network. Since joining us in 1994, Mrs. Goddijn-Vigreux has helped us grow from a small team into a leading provider of personal satellite navigation products. She served as our Chief Executive Officer from 1994 to 2001 and as a member of our Management Board from 1994 to 2005. She currently serves as our Sales Director. She is married to our Chief Executive Officer, Harold Goddijn. Her brother, Jocelyn Vigreux, is President of our North American subsidiary, TomTom Inc.

**Peter-Frans Pauwels***Chief Technical Officer*

Mr. Pauwels studied Business and Computer Science at Amsterdam University. After obtaining his Master's degree, he co-founded TomTom with Pieter Geelen and Harold Goddijn in 1991. He has 14 years of industry experience with mobile, wireless and positioning technology, and has played an active role in our business development, production management and software design and development. Through his management company, Subzero Software Engineering Holding BV, Mr. Pauwels served as a member of our Management Board from 1991 until 2005. He currently serves as our Chief Technical Officer.

**Pieter Geelen***Technical Development Director*

Mr. Geelen studied Computer Science at Amsterdam University. Before co-founding TomTom with Peter-Frans Pauwels and Harold Goddijn in 1991, Mr. Geelen was a programmer for Beeldenstorm and Philips New Media Systems. He has expertise in the different technologies that drive our navigation products and helped develop key elements of our NavCore software platform. Through his management company, Tailored Solutions BV, Mr. Geelen served as a member of our Management Board from 1991 until 2005. He currently serves as our Technical Development Director.

**Mark Gretton***Development Director*

After graduating from Reading University with a degree in Cybernetics and Control Engineering in 1981, Mr. Gretton founded a company to develop and sell innovative data logging products. In 1986, he joined Psion Plc where he held a number of product development roles. In 1996, he joined the board of the newly formed software division of Psion, which was later spun out to form Symbian. In 2000, Mr. Gretton joined the PDA division of Psion as Chief Technology Officer. Mr. Gretton joined us in 2003 as Development Director to oversee our diversification from navigation software into integrated navigation devices. He served as a member of the management board of TomTom BV (now known as TomTom International BV) from 2003 until 2005, and still serves as our Development Director.

**Remuneration**

The Supervisory Board establishes the remuneration of the individual members of the Management Board, in accordance with the Management Board remuneration policy to be adopted by the General Meeting of Shareholders. The Supervisory Board presents to the General Meeting of Shareholders for approval any scheme providing for the remuneration of the members of the Management Board in the form of shares or options.

**Senior Management**

The total remuneration we paid to or on behalf of our Management Board and senior management in 2004 amounted to approximately €5.2 million. The following table denotes the breakdown in remuneration of members of the Management Board and senior management in 2004.

## 2004 Management Remuneration Information

Name	Remuneration	Pension contributions <sup>1</sup>	Bonus <sup>2</sup>	Stock compensation awards <sup>3</sup>	Wage tax paid for (grossed up)	Total remuneration
			(€)			
Harold Goddijn <sup>4</sup> . . . . .	127,582	0	122,033	0	0	249,615
Alexander Ribbink . . . . .	183,600	15,286	138,707	208,495	2,975,191 <sup>6</sup>	3,521,279
Corinne Goddijn-Vigreux <sup>4</sup> . . . . .	127,582	0	122,033	0	0	249,615
Peter-Frans Pauwels <sup>5</sup> . . . . .	130,000	0	138,707	0	0	268,707
Pieter Geelen <sup>5</sup> . . . . .	130,000	0	138,707	0	0	268,707
Mark Gretton <sup>4</sup> . . . . .	133,961	8,916	119,335	353,669	0	615,881
<b>Total . . . . .</b>	<b>832,725</b>	<b>24,202</b>	<b>779,522</b>	<b>562,164</b>	<b>2,975,191</b>	<b>5,173,804</b>

- (1) Beginning in 2005, contributions are being made to the group pension for each member of the management team on an annual basis. This pension contribution on behalf of the management team may amount to a maximum of 10% of base annual remuneration.
- (2) In 2004, the members of senior management shared equally a bonus pool equal to 2% of our total profit before tax. The bonus amounts reflect 2004 bonus payments which were paid based on estimates made in December 2004 on our 2004 profit before tax. An adjustment to the total bonus amount for 2004 will be paid in 2005, based on our audited end-year 2004 profit before tax.
- (3) Represents the value of the shares underlying the options at the date of grant.
- (4) Euro equivalent of remuneration paid in pounds sterling (£), calculated using the rate of £1 = €0.6793, which is the average of the Spot rates on the last business day of each month of 2004.
- (5) Peter-Frans Pauwels received his 2004 remuneration via management fees and bonus payments we paid to his wholly-owned holding company, Subzero Software Engineering Holding BV. Similarly, Pieter Geelen received all 2004 remuneration via management fees and bonus payments we paid to his wholly-owned holding company, Tailored Solutions BV. In both cases a management fee was paid monthly, and bonus payments based on our total profit before tax were paid three times. See “Selling Shareholders—Related Party Transactions”.
- (6) Reflects payment to cover additional income taxes as part of our negotiated settlement with the Dutch tax authorities on stock options granted in 2003. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Share-Based Payments”.

The amounts in the table above are the remuneration payable to senior management in 2004. We have agreed to increase these amounts if and to the extent certain additional income or similar taxes are payable by such persons, and we have included an accrual for such event in our 2004 financial statements.

### *Supervisory Board*

The remuneration of the members of the Supervisory Board is determined by the General Meeting of Shareholders. The remuneration for the Chairman of the Supervisory Board will amount to €40,000 per year, and for other members of the Supervisory Board €30,000 per year, each in proportion to the number of months served.

Members of the Supervisory Board are not authorised to receive any payments under our group pension, bonus scheme or option plan.

## Option Plans

### 2003 Stock Option Plan

The options indicated in the table below were granted to members of the Management Board and other employees pursuant to a stock option plan we initiated in 2003 (the “2003 Stock Option Plan”). Figures have been adjusted to reflect the Reorganisation.

Name	Outstanding Options (as of 1 Jan 2004)	Options Granted in 2004	Exercise Price of 2004 Options	Begin Exercise Period of 2004 Options	End Exercise Period of 2004 Options	Range of Exercise Prices for All Outstanding Options	Weighted Average Exercise Price of All Outstanding Options	Outstanding Options (as of 26 May 2005)
Alexander Ribbink .	2,000,026	1,499,992	€3.75	1 Nov 07	1 Nov 09	€0.25- €3.75	€1.75	3,500,018
Mark Gretton . . . .	2,000,026	1,499,992	€0.75	1 Jun 07	1 Jun 09	€0.02 - €0.75	€0.33	3,500,018
		328,898 <sup>1</sup>	€3.75	26 Dec 04	26 Dec 09			
Other employees . .	1,644,489	213,783	€3.75	1 Dec 07	1 Dec 09	€0.02 - €3.75	€0.93	2,768,223
		581,052	€0.75	1 Jun 07	1 Jun 09			
<b>Total . . . . .</b>	<b>5,644,541</b>	<b>4,123,718</b>						<b>9,768,259</b>

(1) Reflects options claimed by a former finance officer, which are currently in dispute. See “Business—Legal Proceedings.”

No additional options will be granted under the 2003 Stock Option Plan.

Immediately prior to the Global Offer, our employees held options to acquire a total of 9,768,259 of our ordinary shares with a nominal value of €0.20 each, which would if exercised represent approximately 9.1% of our total issued share capital immediately after the Global Offer, assuming no exercise of the Over-allotment Option.

Under the 2003 Stock Option Plan, options may generally be exercised in a period that commences three years following the date of the grant and lapses, in any event, five years after the date of grant. Upon termination of an employee’s employment agreement prior to or during the exercise period, the options may be forfeited or a penalty may be due by the option holder, with the effect that only a small part of the gain realised will accrue to such option holder.

To date, none of the options granted under the 2003 Stock Option Plan have been exercised. Exercise of the options will be subject to regulations and customary rules on the prevention of insider trading under Dutch law. Under these regulations, the options may not be exercised during certain periods.

We have recently entered into a negotiated settlement with the Dutch tax authorities in respect of options granted in 2003 and 2004. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Share-Based Payments”.

The 2003 Stock Option Plan originally related to options on shares in our subsidiary TomTom BV (now known as TomTom International BV). Employees holding options under the 2003 Stock Option Plan have converted their options on shares in TomTom International BV into options on our ordinary shares.

### 2005 Stock Option Plan

#### Overview

We have amended the 2003 Stock Option Plan and developed a new stock option plan (the “2005 Stock Option Plan”). The 2005 Stock Option Plan was approved by the Supervisory Board on 13 May 2005 and by the General Meeting of Shareholders on 13 May 2005. No options have yet been granted under the 2005 Stock Option Plan. The purpose of the 2005 Stock Option Plan is to encourage the members of the Management Board and other selected employees to focus on our long-term success by allowing them to acquire an interest in us.

### *Grant and exercise of options*

Annually 5% of our issued and outstanding ordinary shares will be available for grant under the 2005 Stock Option Plan, provided that the total number of stock options outstanding may never exceed 15% of our issued and outstanding shares.

Stock options may be granted to members of the Management Board by our Supervisory Board, based on the remuneration policy adopted by the General Meeting of Shareholders. Stock options for senior management will be granted by the Management Board, subject to the approval of the Supervisory Board. Stock options for other employees will be granted by the Management Board.

We will only grant stock options on the tenth business day following the publication of our first and third quarter results and the publication of our half-yearly and annual results and within two months of the hiring or promotion of the employee to whom the options are granted.

The exercise price of the stock options will be equal to the average of the closing prices of our ordinary shares, as stated in the Daily Official List, on the three trading days preceding the date on which the stock options are granted.

The stock options may be exercised during a four-year period commencing three years after the grant date and lapsing seven years after the grant date. Options to purchase our ordinary shares may only be exercised by the option holder if the option holder is employed by us at the time of exercise. Exceptions to this employment requirement include: (i) death, (ii) disability, (iii) retirement, (iv) redundancy by reason of collective dismissal or a reorganisation or (v) any other reason, at the discretion of the Management Board or, in the event of stock options granted to members of the Management Board, at the discretion of the Supervisory Board.

Exercise of the options is subject to regulation under Dutch law, and customary rules on the prevention of insider trading are applicable. Under Dutch insider trading rules, the stock options may not be exercised in certain periods.

If a person acquires control over us by making a public offer, the Management Board may determine, subject to the prior approval of the Supervisory Board, that the stock options shall be deemed exercisable and shall be exercised immediately prior to (and conditional upon) such person acquiring control, or with the permission of the Management Board, may be exercised during such period after the change of control as may be specified by the Management Board, failing which the stock options will be forfeited. In the event of any resolution to dissolve us the option holders may exercise the stock options, whether these are exercisable or not, within a period of two months following such resolution to dissolve, failing which the stock options will be forfeited.

The Management Board, subject to the approval of the Supervisory Board, may in its sole discretion adjust the number of options outstanding and their exercise price in the event of a variation of our share capital or in any other circumstances which, in the reasonable opinion of the Management Board, justify such adjustment.

### *Contingent Stock Options*

Under an existing contractual arrangement, it is agreed that one member of the Management Board and one member of senior management, Alexander Ribbink and Mark Gretton, will each be granted an additional 1,500,000 stock options on 15 November 2005. These stock options will have an exercise price equal to the market share price on the date of grant and are contingent on their continued employment until November 2005. These contingent stock options have a three-year vesting period and subsequent two-year exercise period. These figures reflect the Reorganisation.

### ***Employment and Severance Agreements***

We have entered into employment agreements with members of our Management Board. Pursuant to such agreements, members of our Management Board and senior management serve with no fixed termination date. Our Chief Executive Officer, Chief Operating Officer and members of senior management are subject to termination upon six months written notice given by the individual member or 12 months written notice given by us. Our Chief Financial Officer has expressed a commitment to stay with us until at least 1 March 2006, and is, until that date, subject to termination upon three months written notice given by her or six months written notice given by us. After 1 March 2006, our Chief Financial Officer is subject to termination upon six months written notice given by her or twelve months written notice given by us.

Pursuant to these employment agreements, each member of our Management Board and senior management remains subject to confidentiality and non-competition clauses upon termination. Notwithstanding possible liabilities under applicable employment law, involuntary termination, including termination within three years after a change of control, entitles members of the Management Board and senior management to a fixed amount severance payment of six times base monthly salary, including holiday allowance. "Control" in such case means the power to directly or indirectly control 50% or more of the votes of our ordinary shares. Neither the members of our Management Board nor our senior management are entitled to this severance payment in the case of a voluntary termination or if terminated for cause (*dringende reden*) within the meaning of sections 7:677 paragraph (1) and 7:678 of the Dutch Civil Code.

Our Chief Financial Officer is entitled to a success fee of £500,000 (gross) upon the completion of the Global Offer.

### **Pension Scheme**

Since 1995, we have had a voluntary defined-contribution pension scheme in place for our employees. The pension scheme is insured by Royal & SunAlliance Levensverzekering NV. The insurance contract was renewed in 2001 for a period of five years. On an annual basis, we pay to the insurance company a defined contribution per employee, of which 55% is for the account of the employer and 45% for the account of the employee. At age 65, the employee can use the invested capital to buy an old age pension or survivors' pension. Insurance to cover disability or death is included in the pension scheme.

Our pension scheme is in compliance with the tax requirements arising from the Witteveen-legislation. The defined contribution is calculated as a fixed percentage of the participating employee's yearly base salary minus the "AOW-franchise" amount (which was €11,366 in 2004). In addition, we follow a graduated premium scale, under which we provide defined contributions ranging from 7.1% of pensionable salary at age 15, increasing in 5-year increments to a maximum of 36.9% of pensionable salary at age 60.

In 2004, the Dutch Committee on Equal Treatment (the "Equal Treatment Committee") issued several non-binding legal opinions (*oordeel*) regarding the Discrimination on Age Act in relation to defined contribution pension scheme. Given these opinions, we may be required to bring our employer and employee pension contributions, indirectly calculated as an age-dependent percentage of pensionable salary, in line with these opinions.

### **Employees**

As of 31 March 2005, we had approximately 235 employees worldwide. Our employees are split among marketing and sales (94), research and development (66) and general (75).

We had an average of 33 employees in 2002, increasing to 75 in 2003 and 150 in 2004.

Under Dutch law, all employers in The Netherlands with more than 50 employees must establish a Works Council if requested by their employees. We expect to establish a Works Council in the second half of 2005. Works Councils in The Netherlands have the authority to advise on certain company decisions proposed by the General Meeting of Shareholders or the Management Board, including but not limited to a change of control. Employers are also required to submit certain statutory defined matters that are viewed as “social policy” (affecting employment terms and conditions) to the Works Council’s prior approval.

We are not a party to a collective bargaining agreement. We consider our relationship with our employees to be good.



## SELLING SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### Selling Shareholders

#### *Holdings Prior to the Global Offer and Participation in the Global Offer*

The following table presents information about the ownership of our issued and outstanding shares as of the date of this Prospectus as to each person or group of affiliated persons we know to beneficially own 5% or more of our issued and outstanding ordinary shares.

	Existing Shares owned prior to the closing of the Global Offer		Number of Existing Shares to be sold in the Global Offer		Shares owned immediately after the Global Offer			
	Total (millions)	%	Without exercise of the Over-allotment Option	With full exercise of the Over-allotment Option	Without exercise of the Over-allotment Option		With full exercise of the Over-allotment Option	
					Total	%	Total	%
Tradewind Investment NV <sup>1</sup> . . . . .	25.0	25.0	4,910,714	5,915,179	20,089,286	18.8	19,084,822	17.8
Rinkelberg Software BV <sup>2</sup> . . . . .	25.0	25.0	4,910,714	5,915,179	20,089,286	18.8	19,084,822	17.8
Nova Acta BV <sup>3</sup> . . . . .	25.0	25.0	4,910,714	5,915,179	20,089,286	18.8	19,084,822	17.8
Tailored Solutions Nederland BV <sup>4</sup> . . . . .	25.0	25.0	4,910,714	5,915,179	20,089,286	18.8	19,084,822	17.8
<b>Totals . . . . .</b>	<b>100.0</b>	<b>100.0</b>	<b>19,642,857</b>	<b>23,660,714</b>	<b>80,357,143</b>	<b>75.0</b>	<b>76,339,286</b>	<b>71.2</b>

(1) Bedell Cristin Trustees Limited, as trustee for the Harold Goddijn 2005 Trust, holds the entire share capital of Tradewind Investment NV. The Harold Goddijn 2005 Trust has been established for the primary benefit of Harold Goddijn and his family.

(2) Bedell Cristin Trustees Limited, as trustee for the Corinne Goddijn-Vigreux 2005 Trust, holds the entire share capital of Rinkelberg Software BV. The Corinne Goddijn-Vigreux 2005 Trust has been established for the primary benefit of Corinne Goddijn-Vigreux and her family.

(3) Peter-Frans Pauwels is the beneficial owner of 100% of the shares of Nova Acta BV.

(4) Pieter Geelen is the beneficial owner of 100% of the shares of Tailored Solutions Nederland BV.

In addition, members of the Management Board and senior management team also held, immediately prior to the Global Offer, options to purchase approximately 7.0 million of our shares at a weighted average exercise price of €1.04 per share. We describe these options in more detail in “Management and Employees—Remuneration—Option Plan”.

Except as disclosed above, we are not aware of any person who, as of the date of this Prospectus, directly or indirectly, had an interest as beneficial owner in shares which represent 5% or more of our issued and outstanding shares.

### *Shareholders Agreement*

We, the Selling Shareholders and the persons controlling such selling shareholders (“Controlling Shareholders”) have entered into a shareholders agreement (the “Shareholders Agreement”) whereby each of the Controlling Shareholders has agreed to maintain, directly or indirectly, at least 10% of our issued and outstanding share capital as of the Settlement Date, for a period of at least three years from the Settlement Date. The Controlling Shareholders also agreed that for a period of five years from the Settlement Date, none of them will, directly or indirectly, sell any of the Shares without providing written notice to the other Controlling Shareholders and to us. For three months following such notice, the Controlling Shareholders will consult with each other and with us on the intended transfer taking into account each others’ reasonable interests. The Controlling Shareholder who gave notice may not sell its shares, directly or indirectly, within this three month period, unless the other Controlling Shareholders and we consent in writing, and subject to the 10% minimum ownership requirement set out above. Following

the lapse of the three-month period, the Controlling Shareholder may sell the relevant Shares, directly or indirectly, without our consent or that of the other Controlling Shareholders.

The Controlling Shareholders may each year sell, directly or indirectly, 1% of our issued and outstanding share capital, subject to the 10% ownership requirement, without providing notice to or seeking our consent or that of the other Controlling Shareholders. Further, the Controlling Shareholders and the Selling Shareholders have agreed to consult with each other and with us on the terms and conditions of any secondary offering of any of the Shares they hold. The obligations in the Shareholders Agreement regarding any Controlling Shareholder and the Selling Shareholder controlled by such Controlling Shareholder will, to the extent such Controlling Shareholder is an individual, terminate upon the death of such Controlling Shareholder.

Any Controlling Shareholder, or any Selling Shareholder that is controlled by such Controlling Shareholder, that breaches any of the foregoing obligations under the Shareholders Agreement will forfeit an immediately due and payable penalty to each of the other Controlling Shareholders. Such penalty will be payable in cash equal to the value of 5% (in the aggregate) of our issued share capital outstanding on the Settlement Date, and will be calculated using a price per share equal to the average closing price of an ordinary share as published by Euronext Amsterdam NV in the Daily Official List over a period of 30 trading days immediately prior to the date of the breach, without prejudice to the rights of the parties to the Shareholders Agreement to claim performance and full damages.

Tradewind Investment NV and Rinkelberg Software BV have each entered into an agreement (the “Trustee Agreement”) with Bedell Cristin Trustees Limited, a company incorporated under the laws of the Island of Jersey (the “Trustee”), acting in its capacity as the trustee of both The Harold Goddijn 2005 Trust and as the trustee of The Corinne Goddijn-Vigreux 2005 Trust. Pursuant to the Trustee Agreement, Tradewind Investment NV and Rinkelberg Software BV agreed to refrain from any action that may result in a breach by the Trustee of any of its obligations under the Shareholders Agreement, and they each indemnify the Trustee for all penalties, loss, damages, costs and expenses or liabilities which may be due or incurred by the Trustee whether directly or indirectly as a result of (i) Tradewind Investment NV or Rinkelberg Software BV causing the Trustee to breach its obligations under the Shareholders Agreement and (ii) non-compliance by Tradewind Investment NV or Rinkelberg Software BV of their obligations under the Trustee Agreement.

The Shareholders Agreement may be terminated or amended with the consent of all the parties thereto.

### ***Shareholder Reorganisation***

Until the reorganisation described below, Rinkelberg Beheer BV, Rinkelberg Software BV, Subzero Software Engineering Holding BV and Tailored Solutions BV, companies wholly owned by Harold Goddijn, Corinne Goddijn-Vigreux, Peter-Frans Pauwels and Pieter Geelen, respectively, each held 25% of our outstanding issued share capital.

Since 28 January 2005, various transactions concerning companies and trusts associated with Harold Goddijn, Corinne Goddijn-Vigreux, Peter-Frans Pauwels and Pieter Geelen have taken place affecting our shares. After these transactions, Harold Goddijn, Corinne Goddijn-Vigreux, Peter-Frans Pauwels and Pieter Geelen each remained beneficially interested in 25% of our issued and outstanding share capital.

#### ***Harold Goddijn***

On 28 January 2005, The Harold Goddijn 2005 Trust was established under the laws of the Island of Jersey for the primary benefit of Harold Goddijn and his family. On 8 April 2005, MeesPierson Intertrust (Antilles) NV, a limited liability company organised under the laws of The Netherlands Antilles, incorporated Tradewind Investment NV, a limited liability company organised under the laws of The

Netherlands Antilles. On 28 April 2005, the shares in Tradewind Investment NV were transferred to the Trustee, acting in its capacity as the trustee of The Harold Goddijn 2005 Trust.

On 13 May 2005, Tradewind Investment NV acquired from Rinkelberg Beheer BV its entire interest in our shares for a price per share that will be equal to the Offer Price. Tradewind Investment NV funded the acquisition by borrowing the purchase price from Rinkelberg Beheer BV.

On 8 April 2005, Rinkelberg Beheer BV incorporated Starfish Investments BV, a private limited liability company organised under the laws of The Netherlands Antilles. On 13 May 2005, Rinkelberg Beheer BV contributed the entire loan to Tradewind Investment NV to Starfish Investments BV in exchange for shares.

#### *Corinne Goddijn-Vigreux*

On 28 January 2005, The Corinne Goddijn-Vigreux 2005 Trust was established under the laws of the Island of Jersey, for the primary benefit of Corinne Goddijn-Vigreux and her family. On 7 March 2005, Mrs. Goddijn-Vigreux gifted the entire share capital of Rinkelberg Software BV to the Trustee, acting in its capacity as the trustee of The Corinne Goddijn-Vigreux 2005 Trust.

#### *Peter-Frans Pauwels*

On 17 February 2005, Subzero Software Engineering Holding BV incorporated Nova Acta BV, a private limited liability company incorporated under the laws of The Netherlands. On 4 March 2005, Subzero Software Engineering Holding BV transferred the legal title to one share in Nova Acta BV to Peter-Frans Pauwels. On 13 May 2005, Subzero Software Engineering Holding BV contributed all its assets and liabilities, including its entire interest in our shares, to Nova Acta BV as share premium on the shares held by it in Nova Acta BV. On 19 April 2005, Peter-Frans Pauwels transferred the legal title to one share in Subzero Software Engineering Holding BV to Pieter Geelen against the transfer of the legal title to one share in Tailored Solutions BV by Pieter Geelen to Peter-Frans Pauwels. Peter-Frans Pauwels remains the beneficial owner of all the shares of Subzero Software Engineering Holding BV.

#### *Pieter Geelen*

On 17 February 2005, Tailored Solutions BV incorporated Tailored Solutions Nederland BV, a private limited liability company incorporated under the laws of The Netherlands. On 15 March 2005, Tailored Solutions BV transferred the legal title to one share in Tailored Solutions Nederland BV to Pieter Geelen. On 13 May 2005, Tailored Solutions BV contributed all its assets and liabilities, including its entire interest in our shares, to Tailored Solutions Nederland BV as share premium on the shares held by it in Tailored Solutions Nederland BV. On 19 April 2005, Pieter Geelen transferred the legal title to one share in Tailored Solutions BV to Peter-Frans Pauwels against the transfer of the legal title to one share in Subzero Software Engineering Holding BV by Peter-Frans Pauwels to Pieter Geelen. Pieter Geelen remains the beneficial owner of all the shares of Tailored Solutions BV.

### ***New Holding Structure***

#### *Harold Goddijn*

The Trustee, acting in its capacity as the trustee of The Harold Goddijn 2005 Trust, created on 28 January 2005 for the primary benefit of Harold Goddijn and his family, holds the entire share capital of Tradewind Investment NV. As at the date of this Prospectus, Tradewind Investment NV holds 25% of our issued and outstanding share capital. Tradewind Investment NV will hold 20,089,286 of our ordinary shares, representing approximately 18.8% of our issued share capital immediately after the Global Offer, assuming no exercise of the Over-allotment Option.

*Corinne Goddijn-Vigreux*

The Trustee, acting in its capacity as the trustee of The Corinne Goddijn-Vigreux 2005 Trust, created on 28 January 2005 for the primary benefit of Corinne Goddijn-Vigreux and her family, holds the entire share capital of Rinkelberg Software BV. As at the date of this Prospectus, Rinkelberg Software BV holds 25% of our issued and outstanding share capital. Rinkelberg Software BV will hold 20,089,286 of our ordinary shares, representing approximately 18.8% of our issued share capital immediately after the Global Offer, assuming no exercise of the Over-allotment Option.

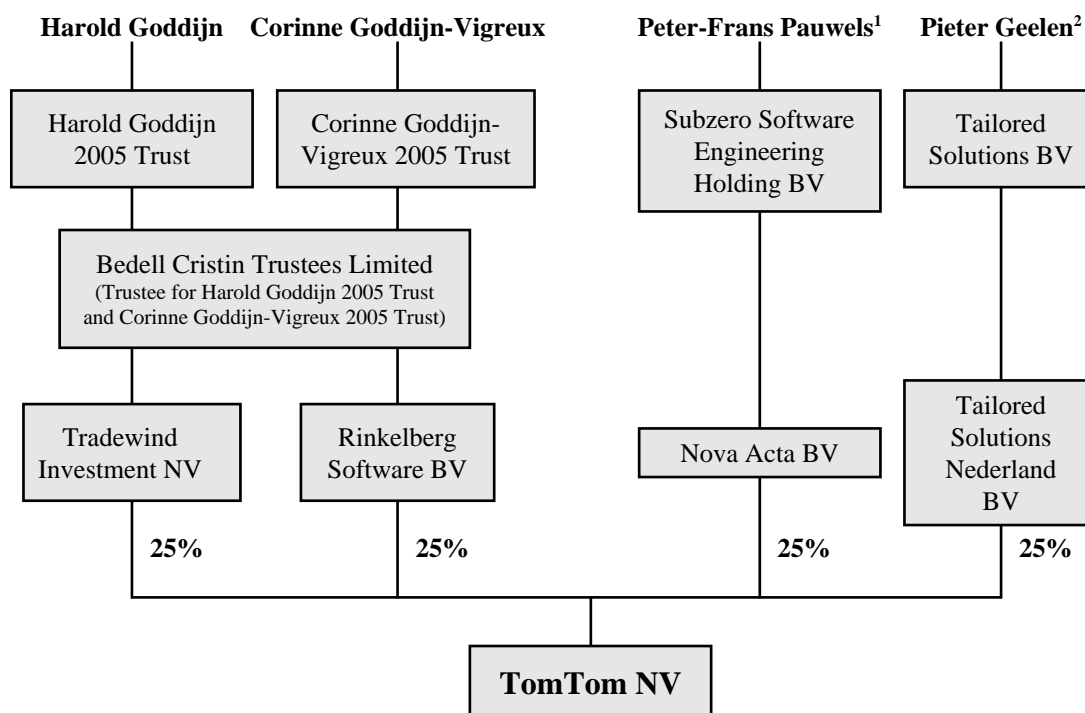
*Peter-Frans Pauwels*

Peter-Frans Pauwels holds the entire issued share capital in Subzero Software Engineering Holding BV, except for the legal title to one share which is held by Pieter Geelen. Subzero Software Engineering Holding BV holds the entire issued share capital in Nova Acta BV, except for the legal title to one share which is held by Peter-Frans Pauwels directly. As at the date of this Prospectus, Nova Acta BV holds 25% of our issued and outstanding share capital. Nova Acta BV will hold 20,089,286 of our ordinary shares, representing approximately 18.8% of our issued and outstanding share capital immediately after the Global Offer, assuming no exercise of the Over-allotment Option.

*Pieter Geelen*

Pieter Geelen holds the entire issued share capital in Tailored Solutions BV, except for the legal title to one share which is held by Peter-Frans Pauwels. Tailored Solutions BV holds the entire issued share capital in Tailored Solutions Nederland BV, except for the legal title to one share which is held by Pieter Geelen directly. As at the date of this Prospectus, Tailored Solutions Nederland BV holds 25% of our issued and outstanding share capital. Tailored Solutions Nederland BV will hold 20,089,286 of our ordinary shares, representing approximately 18.8% of our issued and outstanding share capital immediately after the Global Offer, assuming no exercise of the Over-allotment Option.

As of the date of this Prospectus, the ownership structure of the Selling Shareholders was as follows:



(1) Peter-Frans Pauwels directly holds one share of Nova Acta BV and one share of Tailored Solutions BV.

(2) Pieter Geelen directly holds one share of Tailored Solutions Nederland BV and one share of Subzero Software Engineering Holding BV.

### Related Party Transactions

Except as disclosed below, the members of the Management Board, Supervisory Board and senior management team have no interest in any transactions which are or were unusual in their nature or conditions or significant to our business, and which were effected by us during the financial year immediately preceding the publication of this Prospectus or during an earlier financial year which remain in any respect outstanding or unperformed.

### Share Capital Transactions

On 16 March 2001, Rinkelberg Beheer BV, beneficially owned by Harold Goddijn, acquired in aggregate from Subzero Software Engineering Holding BV, Tailored Solutions BV and Rinkelberg Software BV 25% of the issued and outstanding share capital of TomTom BV, a private limited liability company registered with the Trade Register of the Chamber of Commerce of Amsterdam under number 34076599. As a result of this transaction, Subzero Software Engineering Holding BV, Tailored Solutions BV, Rinkelberg Software BV and Rinkelberg Beheer BV each held 25% of the issued and outstanding share capital of TomTom BV.

On 29 August 2001, Versalis Group BV was incorporated by Subzero Software Engineering Holding BV, Tailored Solutions BV, Rinkelberg Software BV and Rinkelberg Beheer BV, whereby each of them acquired 25% of the shares of Versalis Group BV. Subzero Software Engineering Holding BV, Tailored Solutions BV, Rinkelberg Software BV and Rinkelberg Beheer BV, subsequently contributed their shares in the capital of TomTom BV to Versalis Group BV as share premium on 31 December 2001.

### ***Management Fees***

As described above in “Management and Employees—Remuneration”, in 2004, we paid management fees of €130,000 to each of Subzero Software Engineering Holding BV (“Subzero”), which was at that time 100% owned by our Chief Technical Officer, Peter-Frans Pauwels and Tailored Solutions BV (“Tailored Solutions”), which was at that time 100% owned by our Technical Development Director, Pieter Geelen. Also as described above, we paid €138,707 in total to each of Subzero and Tailored Solutions in three bonus payments to each entity in 2004. The management fees, which were not subject to any written agreement, and the bonus payments, which were approved in writing by our Management Board, constituted the sum total of all remuneration paid to our Chief Technical Officer and our Technical Development Director in 2004.

Similar management fees, including bonus payments, were paid to both Subzero and Tailored Solutions in previous years, in the amounts to each entity of €85,311 in 2000, €78,685 in 2001, €100,295 in 2002 and €151,886 in 2003. The management fees constituted the sum total of all remuneration paid to our Chief Technical Officer and our Technical Development Director in the years from 2000 to 2003.

## DESCRIPTION OF SHARE CAPITAL AND CORPORATE GOVERNANCE

### General

We are a public company with limited liability (*naamloze vennootschap*). We are registered with the Trade Register of the Chamber of Commerce of Amsterdam, The Netherlands under number 34224566. Our corporate seat is in Amsterdam, The Netherlands. Our business address is Rembrandtplein 35, 1017 CT Amsterdam, The Netherlands. We converted from TomTom Nederland BV (“TomTom Nederland”), a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), and were renamed TomTom NV by a deed of conversion and amendment to our Articles of Association on 13 May 2005 (the “Deed of Amendment”).

TomTom Nederland BV was initially incorporated as Versalis Nederland BV (“Versalis Nederland”) on 8 April 2005 by Versalis Group BV, and subsequently renamed TomTom Nederland on 14 April 2005.

Versalis Group BV (“Versalis Group”), a private limited liability company with its corporate seat in Amsterdam, The Netherlands and its business address at Rembrandtplein 35, 1017 CT Amsterdam, The Netherlands was incorporated on 29 August 2001 by Subzero Software Engineering Holding BV (a company with business address at Rembrandtplein 35, 1017 CT Amsterdam, The Netherlands and controlled by Peter-Frans Pauwels), Rinkelberg Beheer BV (a company with business address at Landhuis Joonchi, Kaya Richard J. Beaujon, Curacao, The Netherlands Antilles and controlled by Harold Goddijn), Rinkelberg Software BV (a company with business address at Landhuis Joonchi, Kaya Richard J. Beaujon, Curacao, The Netherlands Antilles and controlled by Corinne Goddijn-Vigreux) and Tailored Solutions BV (a company with business address at Rembrandtplein 35, 1017 CT Amsterdam, The Netherlands and controlled by Pieter Geelen).

Versalis Group was renamed TomTom Group BV (“TomTom Group”) on 14 April 2005. TomTom Group was merged into TomTom Nederland on 13 May 2005, as described further below.

Set out below is a summary of some relevant information concerning our share capital and a brief summary of certain significant provisions of Dutch corporate law and our Articles of Association. This summary does not purport to give a complete overview and should be read in conjunction with our Articles of Association or with relevant provisions of Dutch law, and should not be considered legal advice regarding these matters. The full text of our Articles of Association is available, in Dutch and English, at our registered offices in Amsterdam during regular business hours. See “General Information—Available Information”.

### Corporate Purposes

Pursuant to Article 3 of our Articles of Association, our corporate purposes are:

- to participate in, finance, collaborate with and conduct the management of companies and other enterprises and provide advice and other services;
- to acquire, use and assign industrial and intellectual property rights and real property;
- to invest funds;
- to provide security for the obligations of legal persons or of other companies with which we are affiliated in a group or for the obligations of third parties;

as well as to do anything related to or conducive to the foregoing.



## Share Capital

### *Reorganisation*

At the incorporation of TomTom Nederland, TomTom Group contributed all shares it held in TomTom BV to TomTom Nederland, in exchange for 100,000,000 TomTom Nederland shares with a nominal value of €0.20 each. When TomTom Group merged into TomTom Nederland on 13 May 2005, TomTom Group ceased to exist.

As a consequence of this legal merger, TomTom Nederland acquired 100,000,000 of its own shares, and immediately cancelled those shares. Also as a consequence of this legal merger, the Selling Shareholders, as the four shareholders of TomTom Group, became shareholders of TomTom Nederland.

Each of the Selling Shareholders therefore effectively exchanged 456,069 shares of TomTom Group for 25,000,000 newly-issued shares of TomTom Nederland as a consequence of the legal merger.

As a result of the above, and of the execution of the Deed of Amendment, each of the Selling Shareholders holds 25,000,000 of our issued and outstanding shares as of the date of this Prospectus.

### *Authorised and Issued Share Capital*

As discussed above under “—Reorganisation”, as a result of the legal merger between TomTom Nederland and TomTom Group, we effectively increased our issued share capital from 1,824,276 ordinary shares with a nominal value of €0.01 each to 100,000,000 ordinary shares with a nominal value of €0.20 each.

As a result of the merger and the execution of the Deed of Amendment, our authorised share capital consists of 333,000,000 ordinary shares with a nominal value of €0.20 each and of 166,500,000 preference shares with a nominal value of €0.20 each as of the date of this Prospectus. Our issued and outstanding share capital amounts to 100,000,000 fully-paid ordinary shares (the “Existing Shares”) as of the date of this Prospectus.

We will not issue preference shares in the Global Offer, but we granted the Foundation the right to acquire preference shares from us. See “—Preference Shares and Stichting Continuïteit”. All our ordinary shares are registered shares and will be entered into a collection deposit (*verzameldepot*) and/or giro deposit (*girodepot*) on the basis of the Securities Giro Act (*Wet Giraal Effectenverkeer*). The affiliated institutions (*aangesloten instellingen*), as defined in the Securities Giro Act, are responsible for the management of the collection deposit and Euroclear Netherlands, being the central institute (*Centraal Instituut*) for the purposes of the Securities Giro Act, will be responsible for the management of the giro deposit. Under our Articles of Association, our shareholders do not have the right to demand delivery (*uitlevering*) to them of individual shares pursuant to Article 26 of the Securities Giro Act.

Immediately after the Global Offer, we will have 107,142,857 ordinary shares issued and outstanding.

### *Preference Shares and Stichting Continuïteit TomTom*

The *Stichting Continuïteit TomTom* (the “Foundation”) was incorporated on 26 May 2005. The purpose of the Foundation is to safeguard our interests and those of our subsidiaries and to protect, insofar as possible, our continuity and corporate identity. The Board of the Foundation will consist of one “A Board Member” and two “B Board Members”. The A Board Member will be Mr. Benno Hoogendoorn and the B Board Members will be Mr. Mick den Boogert and Mr. Robert de Bakker. The A Board Member is appointed by the Management Board, from among the members of the Supervisory Board, subject to the approval of the Supervisory Board. The B Board Members is appointed by the board of the Foundation. Members designated as B Board Members have no ties with us within the meaning of Appendix X of the Euronext Amsterdam Listing and Issuing Rules.

Our preference shares form an instrument of protection against hostile takeovers. In line with guidance from the Dutch Corporate Governance Code (the “Code”), we believe that the issuance of preference shares may help us to determine our position in relation to a bidder and its plans, and to seek alternatives. The issue of preference shares is meant to be temporary. Unless the preference shares have been issued by a vote of the General Meeting of Shareholders, our Articles of Association require that a General Meeting of Shareholders be held within six months after the issue of preference shares to consider their cancellation and redemption. If the General Meeting of Shareholders does not thereby resolve to redeem and cancel the preference shares, a General Meeting of Shareholders will be held every six months thereafter for as long as preference shares remain outstanding.

The EU Takeover Directive, which must be incorporated into Dutch law by May 2006, restricts the use of takeover defences. EU member states, however, have the ability to opt out of these restrictions. On 31 March 2005, the Dutch Ministry of Finance published, for public consultation, a draft bill for the implementation of the EU Takeover Directive in The Netherlands. This draft bill proposes that The Netherlands opt out of certain of these restrictions. We therefore expect that we will continue to be able to issue preference shares as an instrument of protection against hostile takeovers, though this may not be the case. It should also be noted that the draft bill provides that a shareholder who has acquired at least 75% of the issued share capital (excluding any issued preference shares) of a company as a result of a public offer may convene a General Meeting of Shareholders within six months after the launch of the public offer. In a General Meeting of Shareholders convened under such circumstances, the provisions in our Articles of Association regarding a binding nomination with respect to the appointment of members of our Management Board and Supervisory Board would not apply, and the Foundation would not be entitled to cast a vote on the preference shares.

Under the terms of an agreement entered into between us and the Foundation on 26 May 2005, we granted the Foundation a call option (the “Call Option”) entitling it to acquire from us preference shares up to a maximum of 50% of our total issued and outstanding share capital (excluding issued and outstanding preference shares) at the time the Call Option is exercised. The Foundation is entitled to exercise the Call Option in one or more tranches. We are entitled to terminate the agreement with the Foundation with immediate effect. Any termination of the agreement with the Foundation will prevent it from exercising the Call Option with regard to any preference shares that were not acquired prior to the termination, but will not negate the rights of the Foundation pursuant to a (partial) exercise of the Call Option prior to the termination or pursuant to any preference shares already issued and outstanding at the time of the termination. Under the terms of a separate agreement entered into between us and the Foundation on 26 May 2005, we have the right to require the Foundation to exercise the Call Option if (i) we expect that a hostile takeover may be attempted or (ii) in the opinion of the Management Board, a single shareholder (or group of shareholders) holds a “substantial number” of our ordinary shares. Our right to require the Foundation to exercise the Call Option due to a single shareholder (or group of shareholders) holding a “substantial number” of our ordinary shares will terminate upon the implementation of the EU Takeover Directive, which must be incorporated into Dutch law by May 2006. The Foundation is not required to exercise the Call Option if it does not have sufficient funds to acquire the preference shares or if it expects no dividends to accrue or be paid on the preference shares.

We may issue preference shares, or grant rights to subscribe for preference shares (including the rights issued under the Call Option), pursuant to a resolution of the General Meeting of Shareholders upon proposal of the Management Board, subject to the prior approval of the Supervisory Board.

If so designated by the General Meeting of Shareholders or our Articles of Association, we may issue preference shares, or grant rights to subscribe for preference shares, pursuant to a resolution of the Management Board, subject to the prior approval of the Supervisory Board. The Management Board must provide a justification for such issue or grant of rights to subscribe for preference shares (but not for the issue of preference shares) at a General Meeting of Shareholders held within four weeks after the date of issue or grant, unless such explanation has been given at an earlier General Meeting of Shareholders.

No resolution of the General Meeting of Shareholders or the Management Board is required for an issue of preference shares pursuant to the exercise of a previously granted right to subscribe for preference shares (including the right of the Foundation to acquire preference shares pursuant to the Call Option).

A resolution of our Management Board to issue preference shares, or to grant rights to subscribe for preference shares, as a result of which the aggregate nominal value of the issued preference shares will exceed 50% of the outstanding capital of our ordinary shares at the time of issue, will at all times require the prior approval of the General Meeting of Shareholders.

Our Articles of Association grant the Management Board the irrevocable authority to issue preference shares, or grant rights to subscribe for preference shares, up to a maximum of 50% of the outstanding share capital of ordinary shares, for a period of two years ending on 13 May 2007. This authority may be renewed by a resolution of the General Meeting of Shareholders for a subsequent period of up to two years.

Upon the issue of preference shares, subscribers for preference shares must pay at least 25% of the nominal value of the preference shares.

Each transfer of preference shares requires the prior approval of the Management Board and Supervisory Board.

### ***Issue of Ordinary Shares***

We may issue ordinary shares, or grant rights to subscribe for ordinary shares, pursuant to a resolution of the General Meeting of Shareholders upon proposal of the Management Board, subject to the prior approval of the Supervisory Board.

If so designated by the General Meeting of Shareholders or our Articles of Association, we may issue ordinary shares, or grant rights to subscribe for ordinary shares, pursuant to a resolution of the Management Board, subject to the prior approval of the Supervisory Board.

No resolution of the General Meeting of Shareholders or the Management Board is required for an issue of ordinary shares pursuant to the exercise of a previously granted right to subscribe for ordinary shares.

Our Articles of Association grant the Management Board the irrevocable authority to issue ordinary shares, or grant rights to subscribe for ordinary shares, up to a maximum of 20% of our authorised share capital of ordinary shares, for a period of two years ending on 13 May 2007. This authority may be renewed by a resolution of the General Meeting of Shareholders for a subsequent period of up to two years.

### ***Pre-emption Rights***

Dutch company law and our Articles of Association in most cases give shareholders pre-emption rights to subscribe on a *pro rata* basis for any issue of new shares or upon a grant of rights to subscribe for shares. Exceptions to these pre-emption rights include the issue of shares and the grant of rights to subscribe for shares (i) to our employees, (ii) in return for non-cash consideration, or (iii) the issue of shares to persons exercising a previously-granted right to subscribe for shares. Holders of ordinary shares do not have pre-emption rights with respect to preference shares to be issued and holders of preference shares do not have pre-emption rights with respect to ordinary shares.

A shareholder may exercise pre-emption rights during a period of two weeks from the date of the announcement of the issue or grant. The Management Board, subject to the prior approval of the Supervisory Board, and if so designated by the General Meeting of Shareholders, may restrict or exclude shareholder pre-emption rights. Our Articles of Association grant the Management Board the irrevocable authority to exclude or restrict pre-emption rights for a period of two years ending on 13 May 2007. Thereafter, a resolution by the General Meeting of Shareholders to delegate to the Management Board

the authority to exclude or restrict pre-emption rights will require a majority of at least two-thirds of the votes cast, if less than 50% of our issued share capital is present or represented at the General Meeting of Shareholders. If the General Meeting of Shareholders has not delegated this authority to the Management Board, the General Meeting of Shareholders may itself vote to restrict or exclude pre-emption rights, but only upon a proposal of the Management Board and subject to the prior approval of the Supervisory Board.

### ***Reduction of Share Capital***

Upon a proposal from the Management Board, subject to the approval by the Supervisory Board, the General Meeting of Shareholders may resolve to reduce our issued and outstanding share capital by cancelling our ordinary or preference shares, or by amending our Articles of Association to reduce the nominal value of our ordinary or preference shares. The decision to reduce our share capital requires a majority of at least two-thirds of the votes cast, if less than 50% of our issued share capital is present or represented at the General Meeting of Shareholders.

### ***Dividends and Other Distributions***

We may only make distributions to our shareholders in so far as our shareholders' equity exceeds the sum of the paid-in and called-up share capital plus the reserves as required to be maintained by Dutch law or by our Articles of Association. Under our Articles of Association, the Management Board determines which part of any profit will be reserved. See "Dividend Policy."

From any profits remaining after such reservation, if any:

- a dividend will be distributed on the preference shares equal to twelve months' "EURIBOR" (as published by De Nederlandsche Bank NV (the "Dutch Central Bank")) and calculated according to the number of days the rate applied during the financial year to which the distribution relates, plus 1.5% on the amount paid on those shares. If in a relevant financial year our profit is not sufficient to fully make this distribution, the deficit will be made up from our distributable reserves. In the event that in a relevant financial year our profit and our distributable reserves together are not sufficient to make this distribution, the above will apply for subsequent financial years until the deficit has been cleared; and
- the part of the profit remaining after application of the above, will be at the disposal of the General Meeting of Shareholders.

We may only make a distribution of dividends to our shareholders after the adoption of our statutory annual accounts demonstrating that such distribution is legally permitted. The Management Board may, subject to certain requirements, declare interim dividends without the approval of the General Meeting of Shareholders.

The Management Board, subject to the approval of the Supervisory Board, may determine that a duly-determined distribution of dividends will be made in the form of our ordinary shares instead of in cash, or that shareholders may be given the option to receive dividends in the form of either cash or our ordinary shares.

On a proposal of the Management Board, subject to the approval of the Supervisory Board, the General Meeting of Shareholders may decide to make payments to our shareholders from the distributable portion of shareholders' equity.

Dividends and other distributions are payable on a date determined by the Management Board. Claims to dividends and other distributions not made within five years from the date that such dividends or distributions became payable will lapse and any such amounts will be considered to have been forfeited to us (*verjaring*).

### ***Acquisition of Shares in Our Capital***

We may acquire our own fully paid shares at any time for no consideration (*om niet*), or, subject to certain provisions of Dutch law and our Articles of Association, if (i) our shareholders' equity less the payment required to make the acquisition, does not fall below the sum of called-up and paid-in share capital and any statutory reserves, and (ii) we and our subsidiaries would thereafter not hold shares or hold a pledge over our shares with an aggregate nominal value exceeding 10% of our issued share capital. In general, any offer we extend to purchase our own shares must be extended to all shareholders unless the shares are purchased on the stock exchange.

Other than those shares acquired for no consideration, shares (including the preference shares) may only be acquired subject to a resolution of the Management Board, authorised by the General Meeting of Shareholders. Authorisation from the General Meeting of Shareholders to acquire our shares must specify the number and class of shares that may be acquired, the manner in which shares may be acquired and the price range within which shares may be acquired. Such authorisation will be valid for no more than 18 months. On 13 May 2005, the General Meeting of Shareholders authorised the Management Board to acquire the maximum number of shares permitted by Dutch law, for a period of 18 months at a purchase price ranging between the nominal value per share and the average price of our ordinary shares as quoted in the Daily Official List in the five business days preceding the day of acquisition of the shares. No authorisation from the General Meeting of Shareholders is required for us to acquire fully paid shares for the purpose of transferring these shares to employees pursuant to our stock option scheme.

Any shares we hold in our own capital may not be voted or counted for voting quorum purposes.

### ***Issue of Options***

With the approval of the Supervisory Board, the Management Board may issue options to purchase our ordinary shares, as described in "Management and Employees—Remuneration—Option Plan", against new shares or against shares we hold or acquire for such purpose. An issue of new shares for the purpose of issuing options must be approved in accordance with the procedures set out in our Articles of Association, as described above.

## **Corporate Governance**

### ***General Meetings of Shareholders and Voting Rights***

The annual General Meeting of Shareholders must be held within six months after the end of each financial year. An extraordinary General Meeting of Shareholders may be convened, whenever our interests so require, by the Management Board or the Supervisory Board. Shareholders representing alone or in aggregate at least one-tenth of our issued and outstanding share capital may, pursuant to the Dutch Civil Code and our Articles of Association, request that a General Meeting of Shareholders be convened. If such General Meeting of Shareholders has not been convened within 14 days or is not held within one month following such request, the shareholders requesting such General Meeting of Shareholders are authorised to call such General Meeting of Shareholders themselves.

The notice convening any General Meeting of Shareholders must include an agenda indicating the items for discussion, as well as any proposals for the agenda. Shareholders holding at least 1% of our issued and outstanding share capital or shares representing a value of at least €50 million according to the Daily Official List may submit proposals for the agenda. Provided we receive such proposals no later than the 60<sup>th</sup> day before the General Meeting of Shareholders, and provided that no significant interest opposes such request, we will have the proposals included in the notice we publish in a national newspaper distributed daily in The Netherlands and also in the Daily Official List at least 15 days before the meeting.

The Management Board may determine a record date to establish which shareholders are entitled to attend and vote in the General Meeting of Shareholders.

There is no attendance quorum at the General Meeting of Shareholders.

Each of our ordinary shares and preference shares is entitled to one vote. Shareholders may vote by proxy. The voting rights attached to any of our shares held by us are suspended as long as they are held in treasury.

Decisions of the General Meeting of Shareholders are taken by a simple majority, except where Dutch law or our Articles of Association provide for a special majority. Matters requiring a majority of at least two-thirds of the votes cast, representing more than 50% of our issued share capital include, among others:

- a resolution of the General Meeting of Shareholders that the list of nominees submitted by the Supervisory Board for the appointment of members of the Management Board and/or Supervisory Board is not binding;
- a resolution of the General Meeting of Shareholders to appoint members of the Management Board or Supervisory Board in contravention of the list of nominees submitted by the Supervisory Board; and
- the dismissal and suspension of members of the Management Board or Supervisory Board.

Matters requiring a majority of at least two-thirds of the votes cast, if less than 50% of our issued share capital is represented include, among others:

- a resolution of the General Meeting of Shareholders regarding restricting and excluding pre-emption rights or decisions to designate the Management Board as the body authorised to exclude or restrict pre-emption rights;
- a resolution of the General Meeting of Shareholders to reduce our outstanding share capital; and
- a resolution of the General Meeting of Shareholders to have us merge or demerge.

#### ***Amendment of our Articles of Association***

The General Meeting of Shareholders may resolve to amend our Articles of Association at the proposal of the Management Board, subject to the approval of the Supervisory Board.

#### ***Dutch Corporate Governance Code***

On 9 December 2003, the Dutch Corporate Governance Committee, also known as the *Tabaksblat* Committee, released the Dutch Corporate Governance Code (the “Code”). The Code contains 21 principles and 113 best practice provisions for management boards, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards.

Dutch companies listed on a government-recognised stock exchange, whether in The Netherlands or elsewhere, are required to disclose in their annual reports whether or not they apply the provisions of the Code that are addressed to the management board or supervisory board and, if they do not apply, to explain the reasons why. This disclosure requirement commences with those annual reports for financial years beginning on or after 1 January 2004. The Code provides that if a company’s general meeting of shareholders explicitly approves the corporate governance structure and policy and endorses the explanation for any deviation from the best practice provisions, such company will be deemed to have applied the Code.

We acknowledge the importance of good corporate governance. The Management Board and Supervisory Board have reviewed the Code, generally agree with its basic provisions, and have taken and will take any further steps they consider appropriate to implement the Code.



However, we will not apply best practice provisions in the following areas:

- We will not apply best practice provision II.2.1, which provides that options to acquire shares are a conditional remuneration component, and become unconditional only when the management board members have fulfilled predetermined performance criteria after a period of at least three years from the grant date, nor will we apply best practice provision II.2.2, which provides that, if a company, notwithstanding best practice provision II.2.1, grants unconditional options to management board members, it shall apply performance criteria when doing so and the options should, in any event, not be exercised in the first three years after they have been granted. Considering that the industry for personal navigation is still in a relatively nascent stage, we believe that setting credible (predetermined) performance criteria, whether or not on the basis of a comparison with our results to a currently non-existing benchmark peer group of companies, is not possible at this time. However, the members of our Management Board shall not exercise options in the first three years after they have been granted.
- We will not apply best practice provision II.2.7, which provides that the maximum remuneration in the event of an involuntary termination may not exceed the directors' annual fixed remuneration. We have entered into employment contracts with members of our Management Board which provide that in case the employment contract is terminated by or on our initiative, the relevant member of the Management Board will be entitled to a fixed amount of 50% of his annual base salary, including holiday allowance, unless the employment contract is terminated for cause (*dringende reden*) within the meaning of sections 7:677 paragraph (1) and 7:678 of the Dutch Civil Code. This amount will be due in addition to the salary we have to pay to the members of our Management Board during the agreed notice period of 12 months. This could mean that the overall compensation to be paid by us to a member of our Management Board following a notice of termination of his or her employment contract, other than for cause, may exceed the annual fixed remuneration of the relevant board member. We have agreed to a notice period of six months for the members of our Management Board. We believe that such notice period is in our interest as this will give us sufficient time to find a successor. As a consequence of Dutch labour law, the notice period we have to observe must be twice the term of the notice period of the employee. Our notice period is therefore 12 months. See: "Management and Employees—Remuneration—Employment and Severance Agreements".
- We will deviate from best practice provision IV.1.1, which provides that a company's general meeting of shareholders may pass a resolution to (i) set aside the binding nature of a nomination for the appointment of a member of the management board or the supervisory board and (ii) dismiss a member of the Management Board or Supervisory Board, by an absolute majority of the votes cast representing at least one-third of the issued share capital. Our Articles of Association provide that (i) a binding nomination for the appointment of members of our Management Board or of our Supervisory Board may only be set aside and (ii) a member of our Management Board or our Supervisory Board may only be dismissed, by a resolution of our General Meeting of Shareholders passed with a two-thirds majority representing more than 50% of our issued share capital. We believe that maintaining continuity in our Management Board and Supervisory Board is critical for delivering long term shareholder value. We would like to protect our stakeholders against a sudden change in management by maintaining the qualified majority and voting quorum requirement, which is allowed under Dutch law.
- With regard to press conferences and meetings with and presentations to analysts and investors which relate to our quarterly, half-year and annual results, we will apply best practice provision IV.3.1, which provides that such press conferences, meetings and presentations should be announced in advance and that measures should be taken to allow investors to follow these meetings and presentations in real time. We may deviate from best practice provision IV.3.1 with regard to other press conferences, meetings and presentations which do not relate to our quarterly,



half-year and annual results and for which prior notice and attendance by investors is not practicable.

We will temporarily not comply with principle V.3 of the Code that relates to the internal auditor function. Currently there is a vacancy for this position. We expect to fill this vacancy before the end of 2005.

We believe that our current market position and the markets we are operating in require a flexible approach towards the best practice provisions. All deviations from the best practice provisions will be included and explained in our 2005 annual report.

### **Dissolution and Liquidation**

We may only be dissolved by a resolution of the General Meeting of Shareholders. In the event of dissolution, our business will be liquidated in accordance with Dutch law. During liquidation, the provisions of our Articles of Association will remain in force as far as possible. The balance of our remaining equity after payment of debts and liquidation costs will be distributed to the shareholders as follows:

- first, the holders of the preference shares will be paid the nominal amount paid on their preference shares, increased by (i) any deficit in the payment of dividend whereto the holder of a preference share is entitled pursuant to our Articles of Association and (ii) an amount equal to twelve months “EURIBOR” (as published by the Dutch Central Bank) plus 1.5% on the compulsory amount paid on the preference shares calculated over the period starting on the first day of the last full financial year prior to the liquidation and ending on the day the liquidation payment is made on the preference shares, provided that any and all dividends and other distributions made on the preference shares in respect of such period shall be deducted from such liquidation payment; and
- second, the remainder will be paid to the holders of ordinary shares, in proportion to the number of ordinary shares that such shareholder holds.

### **Liability of Directors**

Under Dutch law, members of management may be liable to us for damages in the event of improper or negligent performance of their duties. They may be jointly and severally liable for damages to us and to third parties for infringement of our Articles of Association or of certain provisions of the Dutch Civil Code. In certain circumstances, members of management may also incur additional specific civil and criminal liabilities. Members of the Management Board and certain executive officers will be insured under an insurance policy against damages resulting from their conduct when acting in the capacities as such members or officers.

### **Disclosure of Information**

As a Dutch listed company, we will be required to publish certain financial information in the form of a press release within three months after the end of each fiscal year and for each six-month interim period. We must also disclose forthwith all new facts relating to our business that are not publicly known and that could materially affect the market price of our shares. Dutch law contains specific rules intended to prevent insider trading and price manipulation. Pursuant to these rules, we have adopted a code of conduct in respect of the reporting and regulation of transactions in our securities.

### **Obligations of Shareholders to Make a Public Offer**

Currently there is no obligation under Dutch law for a shareholder whose interest in a company's share capital or voting rights passes a certain threshold to launch a public offer for all or part of the outstanding shares in the share capital of the company. However, in addition to providing for certain

restrictions on takeover defences, the EU Takeover Directive, as described above, obliges a shareholder who has acquired a certain threshold of our shares or of our voting rights to launch a public offer for all outstanding shares in our share capital. The draft bill for the implementation of the EU Takeover Directive issued by the Dutch Ministry of Finance proposes to set such threshold at 30%. For legal entities whose purpose is to safeguard the interests of a target company, the draft bill provides for an exemption to the obligation to make a public offer. Under the exemption, the Foundation will not be obliged to launch a public offer even if it holds 30% or more of our share capital or our voting rights.

## **Obligations of Shareholders to Disclose Holdings**

### ***Current Situation***

Under the Disclosure of Holdings in Listed Companies Act of 1996 (*Wet Melding Zeggenschap In Ter Beurze Genoteerde Vennootschappen 1996*) (the “Disclosure of Holdings Act”), any person who, directly or indirectly, acquires or disposes of an interest in the capital and/or the voting rights of a public limited liability company incorporated under Dutch law with an official listing on a stock exchange within the European Economic Area must give written notice of such acquisition or disposal if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person falls within a different percentage range to that held by such person prior to such acquisition or disposal.

The percentage ranges referred to in the Disclosure of Holdings Act are 0-5, 5-10, 10-25, 25-50, 50-66⅓ and over 66⅓. Notification must be given to us and to the Dutch securities regulator (*Autoriteit Financiële Markten*) (the “AFM”) upon the occurrence of certain events, including upon passing each percentage threshold.

Each person whose holding of capital interest or voting rights amounts to 5% or more at the time of admission of our ordinary shares to listing on Eurolist by Euronext, must notify us and the AFM within a four-week period after such admission.

Non-compliance with the obligations of the Disclosure of Holdings Act is an economic offence and may lead to criminal prosecution. In addition, the AFM may impose administrative penalties or a cease-and-desist order under penalty for non-compliance. In addition, a civil court can impose measures against any person who fails to notify or incorrectly notifies us and the AFM of matters required to be correctly notified under the Disclosure of Holdings Act. A claim requiring that such measures be imposed may be instituted by us and/or one or more shareholders who alone or together with others represent(s) at least 5% of our issued share capital.

The measures that the civil court may impose include:

- an order requiring the person violating the Disclosure of Holdings Act to make appropriate disclosure;
- suspension of voting rights in respect of such person’s shares for a period of up to three years as determined by the court;
- nullification of a resolution adopted by the General Meeting of Shareholders, if the court determines that the resolution would not have been adopted but for the exercise of the voting rights of the person who is obliged to notify, or suspension of a resolution until the court makes a decision about such nullification; and
- an order to the person violating the Disclosure of Holdings Act to refrain, during a period of up to five years as determined by the court, from acquiring our shares and/or voting rights in our shares.

We, the members of our Management Board and the members of our Supervisory Board, and the members of the management board and supervisory board of our participations which contribute at least 10% to our consolidated turnover, (i) their spouses, (ii) certain relatives and any persons who share a

household with members of our Management Board or Supervisory Board or with the members of the management board or the supervisory board of our participations which contribute 10% or more of our consolidated revenues, (iii) certain relatives who do not share a household with members of our Management Board or Supervisory Board or with the members of the management board or the supervisory board of our participations which contribute 10% or more of our consolidated revenues but who hold a capital interest of at least 5% or will obtain this percentage through a transaction, are required to notify the AFM of any and all transactions that they carry out directly or indirectly in our shares, pursuant to the Dutch Securities Act of 1995 (*Wet Toezicht Effectenverkeer 1995*) (the “Securities Act of 1995”). Regarding the members of our Management Board and Supervisory Board, this obligation also applies to any changes in the voting rights they have in us pursuant to the Disclosure of Holdings Act. It is also required that we be notified of any changes in the direct or indirect interest in our share capital or voting rights of the members of our Management Board and Supervisory Board.

In addition, any shareholder holding directly or indirectly a capital interest of more than 25% in us must notify any transactions in our share capital to the AFM. If the shareholder is a legal entity and not an individual, these obligations also apply to its managing directors and members of its supervisory board. These notification obligations also apply to their (i) spouses, (ii) relations by blood or affinity to the first degree and other persons who share a household with these persons, and (iii) relations by blood or affinity to the first degree who do not share a household with these persons but hold a capital interest of at least 5% or will obtain this percentage through the transaction. Once we establish a Works Council, its members will need to notify the AFM of its direct or indirect capital interest in us.

The AFM keeps a public register of all notifications made pursuant to the Disclosure of Holdings Act and the Securities Act of 1995 and publishes any notification received by it.

### ***New Developments***

On 1 July 2003, a legislative proposal was submitted to replace the Disclosure of Holdings Act. This legislative proposal, entitled the Act on Disclosure of Voting and Capital Interest in Listed Companies (*Wet Melding Zeggenschap en Kapitaalbelang in Effectenuitgevende Instellingen*) (the “Act on Disclosure”) is pending in Parliament and is expected to come into force in the second half of 2005. The proposal currently includes the following material changes with regard to the notification obligations of shareholders in Dutch listed companies:

- once in every calendar year, every holder of a capital interest (in terms of capital or voting rights) of 5% or more must renew its notification to reflect changes in the percentage held in the listed company, including changes as a consequence of changes in the total issued share capital; and
- a shareholder will be required to notify the AFM whenever the percentage of its capital interest (in terms of capital or voting rights) exceeds or falls below the revised threshold of 5%, 10%, 15%, 20%, 25% of our outstanding share capital. A shareholder who holds more than 25% the voting rights or of our issued capital should notify the AFM upon any acquisition or disposal of voting rights or shares.

The Act on Disclosure will implement part of the Transparency Directive (2004/109/EC). The Act on Disclosure introduces more extensive notification obligations for listed companies with respect to changes in its issued capital and the voting power that can be exercised.

In addition, on 27 October 2004, a legislative proposal was submitted to implement the Market Abuse Directive 2003/6/EC and related Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, which will replace the notification obligations pursuant to the Securities Act of 1995. It is expected that this legislative proposal will also be adopted in the second half of 2005. The legislative proposal currently

includes the following material changes with regard to the obligation to notify the existence of transactions relating to shares of a listed company:

- it is no longer required for a listed company to notify the AFM of the existence of any transactions conducted on its own account;
- not only the members of the management and supervisory board, but also the person discharging managerial responsibilities, having the authority to make decisions affecting the future developments and business prospects of the listed company and who has regularly access to inside information relating, directly or indirectly, to the listed company is required to notify the AFM of the existence of transactions conducted on his own account relating to shares of the listed company;
- persons designated by governmental decree pursuant to the Securities Act of 1995 who are closely associated with members of the management board, members of the supervisory board or persons discharging managerial responsibilities within the listed company are required to notify the AFM of the existence of any transactions conducted on their own account relating to shares of the listed company. A draft of the governmental decree published on 16 March 2005 proposes the following categories of persons: (i) the spouse or any partner considered by national law as equivalent to the spouse, (ii) dependent children, (iii) other relatives who have shared the same household for at least one year, (iv) any legal person, trust or partnership whose managerial responsibilities are discharged by a person referred to under (i), (ii) or (iii) above;
- the AFM needs to be notified of transactions relating to shares of the listed company within five days following the transaction date. Notification may be postponed until the date the value of the transactions amounts to €5,000 or more per calendar year.

Further, if the legislative proposal becomes law, all listed companies will be required to draw up a list of those persons working for them, under a contract of employment or otherwise, who have access to inside information. The listed company will be obliged to regularly update this list of persons.

## **MARKET INFORMATION**

### **Eurolist by Euronext**

Prior to the Global Offer, there has been no public market for our ordinary shares. We have applied to list our ordinary shares on Eurolist by Euronext. We expect to be listed on Eurolist by Euronext and will therefore be subject to Dutch securities regulations and supervision by the relevant Dutch authorities.

### **Market Regulation**

The market regulator in The Netherlands is the AFM, insofar as the supervision of market conduct is concerned. Currently, Euronext Amsterdam has supervisory powers with respect to the publication of information by listed companies. The AFM has supervisory powers with respect to the application of takeover regulations. It also supervises the financial intermediaries (such as credit institutions and investment firms) and investment advisors. After implementation of the Prospectus Directive 2003/71/EC in The Netherlands, which is currently expected to occur on 1 July 2005, the AFM will be the competent authority for approving all prospectuses published for admission of securities to trading on Euronext Amsterdam. After implementation of the Market Abuse Directive and related Commission Directives, the AFM will take over from Euronext Amsterdam NV its current supervisory powers with respect to publication of inside information by listed companies.

The surveillance unit of Euronext Amsterdam will continue to monitor and supervise all trading operations.

## **TAXATION**

### **Taxation in The Netherlands**

#### ***General***

We strongly recommend that any potential investor consult a tax expert for the fiscal consequences of acquiring, owning and transferring the Shares. This section describes the main Dutch tax aspects of the acquisition, ownership and transfer of the Shares and it does not deal with any other tax issues.

The description below (including the rates and other figures) is based on the Dutch tax law applicable on the date of this Prospectus. Potential investors should note particularly that tax law is subject to change, sometimes retroactively, which could render this description inaccurate.

#### ***Dividend Withholding Tax***

Dutch dividend withholding tax will apply at a rate of 25% on “revenues” paid to any shareholder. The term “revenues” includes:

- direct or indirect distributions of profit, whatever the name or the form in which they are distributed, including the proceeds from the repurchase of Shares in excess of the average capital paid on the Shares, as recognised for Dutch dividend withholding tax purposes, unless the Shares are repurchased as a temporary investment;
- liquidation proceeds in excess of the average capital paid on the Shares, as recognised for Dutch dividend withholding tax purposes;
- the nominal value of shares issued to a shareholder, if there is no evidence that any contribution was or will be made;
- a partial repayment of capital, as recognised for Dutch dividend withholding tax purposes, in general to the extent of our existing net earnings, unless the general meeting of shareholders has decided beforehand to make this repayment and the nominal value of the specific Shares has been reduced by the same amount through an amendment of the articles of association; and
- any repayments of capital not recognised as paid-up capital for Dutch dividend withholding tax purposes.

Notwithstanding the above, no withholding tax will apply in the event of a repurchase of shares, if certain conditions are fulfilled.

Shareholders who are Dutch resident taxpayers can generally credit dividend withholding tax against income tax or corporate income tax due. Any excess is refunded.

In general, dividend withholding tax is a non-deductible tax for non-residents, although foreign taxpayers may also be able to deduct the dividend withholding tax from (corporate) income tax due, if they meet certain conditions.

The dividend withholding tax may in certain cases be reduced (sometimes to nil), for instance under double taxation conventions, provided the appropriate claims are made. However, deductions and reductions can be refused if “dividend stripping” rules apply. These rules apply if the dividend is paid to a party that cannot be regarded as the “beneficial owner” of the Shares, as defined in these rules.

#### ***Taxation on Income and Capital Gains***

##### ***Taxation of Residents of The Netherlands***

This section describes the fiscal consequences of acquiring, owning and transferring Shares for shareholders that are individuals or legal entities who are (deemed) Dutch residents or, in the case of individuals, who have elected to be treated as residents.



### *Individuals Resident in The Netherlands*

Income from the Shares will be subject to taxation as “income from work and a dwelling” (“Box I”), “income from a substantial interest” (“Box II”) or “taxable income from savings and investment” (“Box III”).

**Box I.** Income and capital gains derived from the Shares are taxable in Box I at progressive rates up to 52% if they form part of the “profit from an enterprise” of the shareholder or part of the “taxable result from miscellaneous activities” (as defined in the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*)). The income and capital gains from the Shares qualify as profit from an enterprise if the Shares are attributable to the assets of an enterprise from which the shareholder derives profits as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a shareholder.

**Box II.** If income and capital gains derived from the Shares are not subject to taxation in Box I, and if the shareholder has a “substantial interest” in us, then such income and capital gains are taxable at a rate of 25%.

A shareholder has a “substantial interest” in us if such holder, alone or together with his partner has, or if certain relatives of the shareholder or his partner have, directly or indirectly:

- the ownership of, or certain rights over, any class of shares representing at least 5% of our issued and outstanding share capital;
- rights to directly or indirectly acquire any class of shares, whether or not already issued, representing at least 5% of our issued and outstanding share capital; or
- profit-sharing certificates for at least 5% of our annual profit or at least 5% of our liquidation proceeds.

Special provisions apply in specific situations, such as to Shares that are used to form a part of a substantial interest.

**Box III.** If the income and capital gains derived from the Shares is not subject to taxation in Box I or II, then tax is imposed on the “fictitious yield” of the Shares under the rules of Box III. The “fictitious yield” is calculated as 4% of the average net value of the assets and liabilities (including the Shares) that are taxed under the rules of Box III, generally as measured at the beginning and end of every calendar year. The tax rate on the “fictitious yield” is 30%.

### *Legal Entities Resident in The Netherlands*

The resident legal entities subject to Dutch corporate income tax are:

- public limited liability companies, private limited liability companies and other companies the capital of which is entirely or partly divided into shares;
- cooperatives and cooperative societies;
- mutual insurance companies and associations that operate as insurer or credit institution on a mutual basis;
- any association and other legal entity not mentioned above (unless of a public law nature), if and to the extent they carry on an enterprise;
- mutual funds; and
- specified enterprises of public corporations.

In general, legal entities resident in The Netherlands are subject to taxation on any income or capital gains from the Shares. The rate of corporate income tax is 31.5%, with a rate of 27% applying to the first €22,689 of taxable profits.

However, income and capital gains from the Shares are generally exempt from corporate income tax under the “participation exemption” if the legal entity holds at least 5% of our nominal paid-up share capital. A participation of less than 5% will still qualify for the participation exemption if the holding of the Shares is in line with the normal operations of shareholder’s enterprise, or if the acquisition of the Shares serves the general public interest.

#### *Taxation of Non-Residents of The Netherlands*

This section describes the fiscal consequences of acquiring, owning and transferring the Shares for individuals and legal entities who are not Dutch residents, are not deemed to be such and who have not elected to be treated as such.

The provisions of Dutch tax laws may be restricted by double taxation conventions and other supranational provisions.

#### *Individuals Not Resident in The Netherlands*

Non-resident individuals are subject to Dutch income tax on “income from work and a dwelling in The Netherlands,” on “income from a substantial interest in a company established in The Netherlands” and on “taxable income from savings and investment in The Netherlands”.

Any (deemed) income and capital gains from the Shares will be taxable if:

- the shareholder derives profits from an enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise other than as entrepreneur or a shareholder, which enterprise is, in whole or in part, carried out through a permanent establishment or permanent representative in The Netherlands, to which the Shares are attributable, in which case the income or capital gains are taxable at progressive rates up to 52%; or
- it can be regarded as a “taxable result from miscellaneous activities”, in which case the income or capital gains are taxable at progressive rates up to 52%; or
- the Shares form a substantial interest (as defined above), in which case the income or capital gains are taxable at a fixed rate of 25%.

#### *Legal Entities Not Resident in The Netherlands*

A non-resident legal entity is subject to Dutch corporate income tax on profits from a “Dutch enterprise” and on income from a “substantial interest in a company established in The Netherlands” (as defined above).

Any (deemed) income and capital gains from the Shares is taxable at a rate of 31.5%, with a rate of 27% applying to the first €22,689 of taxable profits, if the shareholder:

- derives profits from an enterprise, which enterprise is, in whole or in part, carried on through a permanent establishment or permanent representative in The Netherlands to which the Shares are attributable, unless the Shares qualify for the application of the participation exemption (as described above); or
- has a substantial interest in us that is not part of the assets of an enterprise.

## ***Other Taxes***

### ***Gift Tax and Inheritance Tax***

If the Shares form part of a gift or inheritance from a Dutch resident (individual or legal entity), then gift tax or inheritance tax, respectively, will generally apply.

This is not usually the case if the Shares form part of a gift or inheritance from a non-resident, unless an exception applies, such as if the donor or testator was resident in The Netherlands within a certain period prior to the gift or inheritance or if the donor was resident in The Netherlands at the time of death.

Duties may also become due where the Shares were attributable to a Dutch permanent establishment or permanent representative of the donor.

### ***Value Added Tax***

Share transactions are normally exempt from value added tax. Value added tax is not due on the issuance of Shares, on dividends or other similar payments, such as repayment of capital.

### ***Other Taxes and Duties***

Save for capital tax which will be payable by us, no capital duty or any other tax or duty (including stamp duty) will be due by or on behalf of a holder of Shares in respect or in connection with the sale and transfer of Shares.

## **Taxation in The United States**

The following is a summary of certain US federal income tax consequences of the acquisition, ownership and disposition of the Shares by a US Holder (as defined below). This summary deals only with initial purchasers of the Shares that are US Holders that will hold the Shares as capital assets. The discussion does not cover all aspects of US federal income taxation that may be relevant to particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not address tax considerations applicable to investors who own (directly or indirectly) 10% or more of our voting shares, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as banks, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors who will hold the Shares as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes, and US Holders whose functional currency is not the US dollar).

This summary is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect. All of these laws and authorities are subject to change at any time, possibly with retroactive effect. No assurances can be given that any changes in these laws or authorities will not affect the accuracy of the discussions set forth in this summary.

As used herein, a “US Holder” is a beneficial owner of the Shares that is for US federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, or other entity treated as a corporation, created or organised under the laws of the United States or any state thereof, (iii) an estate, the income of which is subject to US federal income tax without regard to its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust.

As used herein, a “Non-US Holder” is a beneficial owner of the Shares that is not a United States person for United States federal income tax purposes.

This discussion addresses only United States federal income taxation.

## *Dividends*

### *US Holders*

Subject to the discussion below under “Passive Foreign Investment Company Considerations,” distributions paid by us out of current or accumulated earnings and profits (as determined for US federal income tax purposes), will generally be taxable to a US Holder as ordinary dividend income, and will not be eligible for any dividends received deduction otherwise allowable to certain corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder’s basis in the Shares and thereafter as capital gain from the sale or exchange of property. A dividend paid in euros will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividend is received by the US Holder. Any gain or loss resulting from currency exchange rate fluctuations during the period from the date the dividend is includible in the income of the US Holder to the date that payment is converted into US dollars generally will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

A non-corporate US Holder’s “qualified dividend income” currently is subject to tax at reduced rates not exceeding 15 percent. The term “qualified dividend income” generally includes dividends paid by a foreign corporation if: (a) that corporation is incorporated in a possession of the United States, (b) the stock of that corporation with respect to which the dividends are paid is readily tradable on an established securities market in the United States, or (c) that corporation is eligible for benefits of a comprehensive income tax treaty with the United States which includes an information exchange program and is determined to be satisfactory by the US Secretary of the Treasury. The US Internal Revenue Service has determined that the United States-Netherlands Tax Treaty (the “Tax Treaty”) is satisfactory for this purpose. Dividends paid to a non-corporate US Holder in taxable years beginning before 1 January 2009 that constitute qualified dividend income will qualify for the reduced rate provided that the holder holds the Shares for more than 60 days during the 121-day period beginning 60 days prior to the ex-dividend date and meets other holding period requirements. Dividends paid by us with respect to the Shares will be qualified dividend income, but will not qualify for the reduced rates, however, if that corporation is treated, for the tax year in which the dividend is paid or the preceding tax year, as a “passive foreign investment company” for US federal income tax purposes. We do not believe that we will be classified as a “foreign investment company,” “foreign personal holding company” or a “passive foreign investment company” for US federal income tax purposes for our current taxable year. However, see “—Passive Foreign Investment Company Considerations”. Under current law, the reduced rate applicable to dividend distributions does not apply to tax years beginning after 31 December 2008.

Dividends will be income from sources outside of the United States, but dividends paid in taxable years beginning before 1 January 2007 generally will constitute foreign source income in the “passive income” basket or, in the case of certain holders, the “financial services income” basket for foreign tax credit limitation purposes. Dividends paid in taxable years beginning after 31 December 2006 will, depending on your circumstances, be “passive” or “general” income which, in either case, will be treated separately from other types of income for purposes of computing the foreign tax credit allowable to you.

### *Non-US Holders*

Dividends paid on Shares to a Non-US Holder will not be subject to United States federal income tax unless the dividends are “effectively connected” with the Non-US Holders’ conduct of a trade or business within the United States, and the dividends are attributable to a permanent establishment that the Non-US Holder maintains in the United States if that is required by an applicable income tax treaty as a condition for subjecting the Non-US Holder to United States taxation on a net income basis. In such cases, the Non-US Holder generally will be taxed in the same manner as a US Holder. “Effectively connected” dividends paid to a corporate Non-US Holder may, under certain circumstances, be subject to an

additional “branch profits tax” at a 30% rate or at a lower rate if the Non-US Holder is eligible for the benefits of an income tax treaty that provides for a lower rate.

### ***Sale, Retirement or Other Taxable Disposition of the Shares***

#### ***US Holders***

Subject to the discussion below under “Passive Foreign Investment Company Considerations,” a US Holder generally will recognise capital gain or loss for US federal income tax purposes upon the sale, retirement or other taxable disposition of the Shares in an amount equal to the difference between the amount realised (i.e., amount of cash and the fair market value of the property received in exchange for the Shares) and the US Holder’s adjusted tax basis in the Shares. This capital gain or loss will be long-term capital gain or loss if the US Holder held the Shares for more than one year at the time of the sale, retirement or other taxable disposition. For a non-corporate US Holder, the maximum long-term capital gains rate generally is 15 percent. That capital gain or loss generally will be treated as income from US sources, except that losses will be treated as foreign source to the extent the US Holder received dividends that were includible in the “financial services income” basket during the 24-month period prior to the disposition.

#### ***Non-US Holders***

A Non-US Holder will not be subject to United States federal income tax on gain recognised on the sale, retirement or other taxable disposition of the Shares unless: (1) the gain is “effectively connected” with the Non-US Holder’s conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment that the Non-US Holder maintains in the United States if that is required by an applicable income tax treaty as a condition for subjecting the Non-US Holder to United States taxation on a net income basis, or (2) the Non-US Holder is an individual who is present in the United States for 183 or more days in the taxable year of the sale and certain other conditions exist. “Effectively connected” gains recognised by a corporate Non-US Holder may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate or at a lower rate if the Non-US Holder is eligible for the benefits of an income tax treaty that provides for a lower rate.

### ***Foreign Tax Credits***

In the event that payments to a US Holder of distributions on, or proceeds from the sale, retirement or other taxable disposition of, the Shares are subject to Dutch income or withholding tax, it may be possible for the US Holder to reduce or eliminate that Dutch income or withholding tax under the Tax Treaty. To the extent the Tax Treaty does not eliminate that Dutch income or withholding tax, the US Holder may use those amounts as a credit against its US federal income tax liability in respect of any such payments that are treated as foreign source income, or as a deduction to reduce its taxable income, in each case subject to certain limitations. A US Holder must satisfy certain requirements in order to be entitled to a credit for withholding tax imposed on any distribution taxable to the US Holder as a dividend, including requirements relating to the US Holder’s holding period for the Shares. US Holders should consult their tax advisors regarding how these requirements apply with respect to their investment in the Shares.

### ***Passive Foreign Investment Company Considerations***

Certain adverse US federal income tax consequences could apply to a US shareholder in a company that is classified as a PFIC (as defined below). A corporation organised outside the United States generally will be classified as a “passive foreign investment company” (a “PFIC”) for US federal income tax purposes in any taxable year in which, after applying certain look-through rules, either: (i) at least 75% of its gross income is “passive income,” or (ii) on average, at least 50% of the gross value of its assets is attributable to assets that produce “passive income” or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents, annuities and gains

from commodities and securities transactions. We believe that we are currently not a PFIC, and we do not anticipate becoming a PFIC in the future. Therefore, the foregoing summary assumes that we are not a PFIC. Our possible status as a PFIC must be determined annually and therefore may be subject to change. We can therefore give no assurance that we will not be classified as a PFIC in future taxable years.

If we were a PFIC in any year during which a US Holder owned the Shares, the US Holder would generally be subject to special rules (regardless of whether we continued to be a PFIC) with respect to (i) any “excess distribution” (generally, distributions received by the US Holder in a taxable year in excess of 125% of the average annual distributions received by that US Holder in the three preceding taxable years, or, if shorter, the US Holder’s holding period), and (ii) any gain realised on the sale, retirement or other disposition of the Shares. Under these rules, (a) the excess distribution or gain would be allocated ratably over the US Holder’s holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we were a PFIC would be taxed as ordinary income, and (c) the amount allocated to each of the prior taxable years would be subject to US federal income tax at the highest rate of tax in effect for the taxpayer for that year plus an interest charge on the amount of tax deemed to be deferred.

If we were a PFIC, US Holders who own the Shares generally should be able to avoid the interest charge described above by making a mark-to-market election with respect to their Shares, provided that the Shares are regularly traded on a qualifying securities exchange within the meaning of the applicable US Treasury Regulations. If a US Holder makes a mark-to-market election, it will be required to recognise gain or loss for each taxable year equal to the difference between (i) the fair market value of the Shares at the end of that taxable year and (ii) the US Holder’s adjusted tax basis in the Shares at the beginning of that taxable year. US Holders should consult their tax advisers regarding the availability and consequences of a mark-to-market election.

#### ***Information Reporting and Backup Withholding***

For a non-corporate US Holder, information and reporting requirements, on Internal Revenue Service Form 1099, generally will apply to:

- payments of dividends or other taxable distributions made within the United States; and
- the payment of proceeds from the sale of Shares effected at a United States office of a broker.

Additionally, backup withholding may apply to these payments if the non-corporate US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns.

Non-US Holders are generally exempt from backup withholding and information reporting requirements with respect to:

- dividend payments made outside the United States by us or another non-US payor; and
- other dividend payments and the payment of the proceeds from the sale of Shares effected at a United States office of a broker, as long as:
  - the income associated with such payments is otherwise exempt from United States federal income tax; and
  - the payor or broker does not have actual knowledge or reason to know that the holder is a United States person and the holder has furnished the payor or broker:
    - an Internal Revenue Service Form W-8BEN or an acceptable substitute on which it certifies, under penalties of perjury that it is a non-United States person;
    - other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury regulations; or
  - the holder otherwise establishes an exemption.



Payment of the proceeds from the sale of Shares effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of shares that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by the holder in the United States;
- the payment of proceeds or the confirmation of the sale is mailed to you at a United States address; or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations;

unless the broker does not have actual knowledge or reason to know that the holder is a United States person and the documentation requirements described above are met or the holder otherwise establishes an exemption.

In addition, a sale of Shares effected at a foreign office of a broker will be subject to information reporting if the broker is:

- a United States person;
- a controlled foreign corporation for United States tax purposes;
- a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period; or
- a foreign partnership, if at any time during its tax year:
  - one or more of its partners are “U.S. persons”, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership; or
  - such foreign partnership is engaged in the conduct of a United States trade or business;

unless the broker does not have actual knowledge or reason to know that the holder is a United States person and the documentation requirements described above are met or the holder otherwise establishes an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge or reason to know that the holder is a United States person. Backup withholding is not an additional tax and will be credited against the US Holder’s US federal income tax liability or refunded to the US Holder, provided that the Holder files a tax return with the US Internal Revenue Service.

**The above summary of US federal income tax consequences is for general information only and is not intended to constitute a complete analysis of all US income tax consequences relating to US Holders of their acquisition, ownership and disposition of the Shares. All prospective purchasers should consult their tax advisers as to the particular tax consequences to them of owning the Shares, including the applicability and effect of state, local, foreign and other tax laws and possible changes in tax law.**



## THE GLOBAL OFFER

### Introduction

The Global Offer consists of an offering of 7,142,857 New Shares by us and 19,642,857 Existing Shares by the Selling Shareholders. The Global Offer consists of a public offering in The Netherlands (including to certain institutional investors) and an offering internationally to certain institutional investors. As part of the Global Offer, there will be a preferential allotment to certain members of our management board and to our employees in The Netherlands, the United Kingdom, France and Germany. The number of Shares reserved for such preferential allotment is 285,000. We will receive the net proceeds from the sale of the New Shares but will not receive any proceeds from the sale of Existing Shares, all of which will be paid to the Selling Shareholders.

The rights of holders of New Shares and Existing Shares will rank *pari passu* with each other with respect to voting rights and distributions. In addition, the Selling Shareholders have granted to the Underwriters the Over-allotment Option, pursuant to which the Underwriters may require the Selling Shareholders to sell 4,017,857 additional existing ordinary shares at the Offer Price to cover over-allotments, if any, in connection with the Global Offer.

### Timetable

The timetable below lists certain expected key dates for the Global Offer.

Event	Time and Date
Start of Subscription Period in The Netherlands . . . . .	09:00 on 16 May 2005
End of Subscription Period in The Netherlands . . . . .	16:00 on 26 May 2005
Expected allotment of Shares . . . . .	27 May 2005
Listing Date . . . . .	27 May 2005
Payment for and delivery of the Shares if (part of) the Over-allotment Option has been exercised prior to the Settlement Date . . . . .	1 June 2005

The timetable for the Global Offer is subject to acceleration or extension.

### Offer Price

The Offer Price has been determined by us and the Selling Shareholders on the basis of a book-building process and following recommendations from the Joint Global Coordinators and Joint Bookrunners taking into account market conditions and factors such as:

- a qualitative assessment of demand for the Shares;
- our financial information;
- the history of, and prospects for, us and the industry in which we compete;
- an assessment of our management, its past and present operations and the prospects for, and timing of, our future revenues;
- the present state of our development;
- the above factors in relation to other companies engaged in activities similar to ours; and
- the above factors in relation to other companies exhibiting similarly rapid growth.

## **Subscription**

The subscription period for prospective investors in The Netherlands commenced on 16 May 2005 at 09:00 Amsterdam time and ended on 26 May 2005 at 16:00 Amsterdam time.

## **Allotment**

The allotment is expected to take place before the start of trading on 27 May 2005, subject to acceleration or extension of the timetable for the Global Offer. You may receive a smaller number of Shares than you applied to subscribe for. The Underwriters may, at their own discretion and without stating the grounds, reject any subscriptions wholly or partly.

## **Joint Global Coordinators and Joint Bookrunners**

Goldman Sachs International and Lehman Brothers are acting as Joint Global Coordinators and Joint Bookrunners in connection with the Global Offer.

## **Sponsor and Paying Agent**

Kempen & Co NV is the Sponsor for the listing of the Shares and the Paying Agent with respect to the Shares on Eurolist by Euronext.

## **Payment, Delivery, Clearing and Settlement**

Payment for the Shares, and payment for shares which may be part of the Over-allotment Option if this has been exercised prior to the Settlement Date, will take place on the Settlement Date.

The Shares will be registered shares which are entered into the collection deposit (*verzameldepot*) and/or giro deposit (*girodepot*) on the basis of the Securities Giro Act (*Wet Giraal Effectenverkeer*). Application has been made for the Shares to be accepted for clearance through the book-entry facilities of Euroclear Netherlands and Clearstream Luxembourg.

Delivery of the Shares is expected to take place on or about 1 June 2005 through the book-entry facilities of Euroclear Netherlands and Clearstream Luxembourg, in accordance with their normal settlement procedures applicable to equity securities and against payment for the Shares in immediately available funds.

There are certain restrictions on the transfer of our registered book-entry shares, as detailed in “Selling and Transfer Restrictions”.

## **Ranking and Dividends**

Should the Management Board decide in the future to grant a dividend, the rights of holders of New Shares and Existing Shares will rank *pari passu* with each other. See “Dividend Policy”.

## **Listing and Trading of the Ordinary Shares**

Application has been made to list all our ordinary shares on Eurolist by Euronext under the symbol “TOM2”. We expect that our ordinary shares will first be admitted to listing on a provisional basis (*voorlopige notering*) and that trading in such shares will commence prior to the Global Offer on the Settlement Date. The Settlement Date, on which the closing of the Global Offer is scheduled to take place, is expected to occur on or about 1 June 2005, the third business day following the date on which trading is expected to commence (T+3). The closing of the Global Offer may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement (see “Plan of Distribution”) are not satisfied or waived or occur on or prior to such date. Such conditions include the receipt of officers’ certificates and legal opinions and such events include the suspension of trading on the

Stock Market of Euronext Amsterdam NV or a material adverse change in our financial condition or business affairs or in the financial markets. Trading in the shares before the closing of the Global Offer will take place subject to the condition subsequent (*ontbindende voorwaarde*) that, if closing of the Global Offer does not take place on the Settlement Date or at all, the Global Offer will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and transactions on the Stock Market of Euronext Amsterdam NV will be annulled. All dealings in the Shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext does not accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the Global Offer and/or (the related) annulment of any transactions on the Stock Market of Euronext Amsterdam NV.

## PLAN OF DISTRIBUTION

The Global Offer includes an offering of 26,785,714 Shares consisting of a public offering in The Netherlands (including to certain institutional investors) and an offering internationally to certain institutional investors, including to QIBs in the United States in reliance upon Rule 144A. As part of the Global Offer, there will be a preferential allotment to certain members of our management board and to our employees in The Netherlands, the United Kingdom, France and Germany. The number of Shares reserved for such preferential allotment is 285,000.

Goldman Sachs International and Lehman Brothers International (Europe) are Joint Global Coordinators and Joint Bookrunners, and representatives of the Underwriters. The underwriting commission to be paid by the Company and the Selling Shareholders to the Underwriters is 4% of the gross proceeds of the Global Offer. We and the Selling Shareholders will pay certain costs and expenses incurred in connection with the Global Offer.

Subject to certain conditions set forth in the underwriting agreement (the “Underwriting Agreement”) among the Company, the Selling Shareholders, Harold Goddijn, Corinne Goddijn-Vigreux, Peter-Frans Pauwels and Pieter Geelen and the Underwriters, the Company and the Selling Shareholders have agreed to sell to the Underwriters, and the Underwriters have severally agreed to purchase from the Company and the Selling Shareholders, the number of Shares listed opposite the names of the Underwriters below.

<u>Underwriters</u>	<u>Number of Shares</u>
Goldman Sachs International . . . . .	11,383,930
Lehman Brothers International (Europe) . . . . .	11,383,930
Fortis Bank NV . . . . .	1,071,428
Kempen & Co Corporate Finance BV . . . . .	1,874,998
Rabo Securities NV . . . . .	1,071,428
<b>Total</b> . . . . .	<u><u>26,785,714</u></u>

The Selling Shareholders are offering 19,642,857 Existing Shares in the Global Offer (excluding the existing ordinary shares in relation to which the Underwriters have been granted the Over-allotment Option), and the Company is offering 7,142,857 New Shares in the Global Offer. We expect that our ordinary shares will be admitted to listing on a provisional basis and that trading in such shares will commence on or about 27 May 2005, subject to the condition subsequent (*ontbindende voorwaarde*) that, if closing of the Global Offer does not take place on the Settlement Date or at all, the Global Offer will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and transactions on the Stock Market of Euronext Amsterdam NV will be annulled. All dealings in the Shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext does not accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the Global Offer and/or (the related) annulment of any transactions on the Stock Market of Euronext Amsterdam NV. See “Risk Factors—Risks Relating to the Global Offer” and “The Global Offer—Listing and Trading of the Ordinary Shares”.

The Underwriters have agreed to restrictions on where and to whom they and any dealer purchasing from them may offer and sell Shares as part of the distribution of the Shares. The Underwriters, through their respective selling agents, Goldman Sachs & Co. and Lehman Brothers Inc., propose to resell Shares in the United States to QIBs in reliance on Rule 144A under the Securities Act. Any offer or sale of Shares in reliance on Rule 144A will be made by broker-dealers who are registered as such under the US Securities Exchange Act of 1934 (the “Exchange Act”).

If an Underwriter defaults, the Underwriting Agreement provides that in certain circumstances, the purchase commitments of the non-defaulting Underwriters may be increased or the Underwriting Agreement may be terminated.

In the Underwriting Agreement, each of the Company, the Selling Shareholders and the Individuals named therein have made certain representations and warranties and agreed to indemnify the several Underwriters against certain liabilities, including liability under the Securities Act. If these indemnities are unenforceable, each of the Company, the Selling Shareholders and the Individuals have agreed to contribute to any payments that the Underwriters are required to make in respect of the liabilities against which the Company, the Selling Shareholders and the Individuals named in the Underwriting Agreement have agreed to indemnify them.

The Underwriting Agreement provides that, upon the occurrence of certain events, such as the suspension of trading on the Stock Market of Euronext Amsterdam or a material adverse change in our financial condition or business affairs or in the financial markets, and on certain other conditions, the Underwriters, upon the decision of the Joint Global Coordinators and Joint Bookrunners, have the right, collectively but not individually, to withdraw from the Global Offer before delivery of the Shares. In this event, the Global Offer will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and transactions on the Stock Market of Euronext Amsterdam NV will be annulled. All dealings in the Shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext does not accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the Global Offer and/or (the related) annulment of any transactions on the Stock Market of Euronext Amsterdam NV.

#### **Over-allotment Option**

The Selling Shareholders have granted the Underwriters an option, exercisable within 30 calendar days after the Settlement Date, pursuant to which the Underwriters may require the Selling Shareholders to sell an additional 4,017,857 existing ordinary shares at the Offer Price. If the Underwriters exercise this option, each Underwriter will be severally obligated, subject to certain conditions contained in the Underwriting Agreement, to purchase a number of additional existing ordinary shares proportionate to that Underwriter's initial amount reflected in the table above, and the Selling Shareholders will be obligated to sell a number of additional existing ordinary shares proportionate to the total additional existing ordinary shares over which they have granted the Over-allotment Option as set forth in the first sentence of this paragraph.

#### **No Sales of Similar Securities**

The Company, the Selling Shareholders and certain members of the management board have agreed that, other than pursuant to the Underwriting Agreement and any stock lending arrangements entered into with the Underwriters in connection with the Global Offer, they will not, during the period ending 180 days from the Settlement Date, in the case of the Company and certain members of the management board, and 360 days from the Settlement Date, in the case of the Selling Shareholders: (i) offer, sell, contract to sell or otherwise dispose of any securities of the Company that are substantially similar to the Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, ordinary shares of the Company or any such substantially similar securities (other than pursuant to stock option plans available to employees and officers of the Company in existence on the date of the Underwriting Agreement and ordinary shares of the Company being issued to Nick Kaufmann Limited, as disclosed in "General Information—Financial Advisor") or (ii) purchase or sell any option or other guaranty or enter into any swap, hedge or other arrangement that transfers to any other entity, in whole or in part, any of the economic consequences of ownership of ordinary shares of the Company, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of ordinary

shares or such other securities, in cash or otherwise, except with the prior written consent of the Joint Global Coordinators and Joint Bookrunners.

### **Stabilisation and Short Positions**

In connection with the Global Offer, the Underwriters through Lehman Brothers or its affiliates or agents may engage in transactions on the Stock Market of Euronext Amsterdam, in the over-the-counter market or otherwise, that stabilise or maintain the market price of the Shares at levels that might not otherwise exist. Such stabilisation, if commenced, may be discontinued at any time without prior notice and will end no later than 30 calendar days after the Settlement Date.

If the Underwriters through Lehman Brothers create a short position in the Shares in connection with the Global Offer, for example if they sell more Shares than the Selling Shareholders offer under the Prospectus, they may reduce that short position by purchasing Shares in the open market. The Underwriters through Lehman Brothers may also elect to reduce any short position by exercising all or part of the Over-allotment Option.

In addition, the Underwriters may impose a penalty bid. This occurs when a particular Underwriter repays to the Joint Global Coordinators and Joint Bookrunners a portion of the underwriting commission received by it because the Joint Global Coordinators and Joint Bookrunners have repurchased Shares sold by or for the account of such Underwriter in stabilising or short covering transactions.

Purchases of Shares to stabilise the trading price or to reduce a short position may cause the price of the Shares to be higher than it might be in the absence of such purchases.

None of the Company, the Selling Shareholders, the Individuals named in the Underwriting Agreement or any of the Underwriters makes any representation or prediction as to the direction or the magnitude of any effect that the transactions described above may have on the price of the Shares. In addition, none of the Company, the Selling Shareholders or any of the Underwriters makes any representation that Lehman Brothers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

### **Relationships and Transactions With Directly Interested Parties**

Some of the Underwriters and their respective affiliates have from time to time engaged in, and may in the future engage in, commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with us or any parties related to us. With respect to certain of these transactions and services, the sharing of information is generally restricted for reasons of confidentiality, internal procedures or applicable rules and regulations (including those issued by the AFM). The Underwriters have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with your and our interests.

### **No Public Offering Outside The Netherlands**

No action has been or will be taken in any jurisdiction other than The Netherlands that would permit a public offering of the Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to us or the Shares in any jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Purchasers of the Shares may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the Offer Price.



## SELLING AND TRANSFER RESTRICTIONS

### United Kingdom

With the exception of Shares being offered or sold to our employees in the United Kingdom, the Shares may not be offered or sold and, prior to the date six months after the Settlement Date, will not be offered or sold to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances that have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended).

Each of the Underwriters has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Shares in circumstances in which section 21(1) of the FSMA does not apply to us.

Each of the Underwriters has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom.

### France

Neither this Prospectus nor any other offering material relating to the Shares has been submitted to the clearance procedures of the *Autorité des marchés financiers* in France. The Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this Prospectus nor any other offering material relating to the Shares has been or will be (i) released, issued, distributed or caused to be released, issued or distributed to the public in France or (ii) used in connection with any offer for subscription or sale of the Shares to the public in France. Such offers, sales and distributions will be made in France only to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in and in accordance with Article L.411-2 of the French Code *monétaire et financier* and French Decree no. 98-880 dated 1 October 1998. Such Shares may be resold only in compliance with Articles L.411-1, L.411-2 and L. 412-1 of the *French Code monétaire et financier*. Investors in France and persons who come into possession of offering materials are required to inform themselves about and observe any such restrictions.

### Japan

The Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended), and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term as used herein includes any corporation or other entity organised under the laws of Japan), or to others for offering or sale, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law.

### Spain

The offer of Shares has not been registered with the *Comisión Nacional del Mercado de Valores* in Spain. Accordingly, no Shares will be offered or sold in Spain nor may this Prospectus or any other offer material be distributed or targeted at Spanish resident investors save in compliance and in accordance with the requirements of the Spanish Securities Market Law 24/1998, Royal Decree 291/1992 on Issues and Public Offers of Securities, both as amended, and any regulation issued thereunder.

## **Belgium**

The Shares may not be offered publicly, directly or indirectly, in Belgium at the time of the Global Offer. The Global Offer has not been notified to, and the offering documents (including this Prospectus) have not been approved by, the Belgian Banking and Finance Commission. The Shares may be sold in Belgium only to professional investors as defined in article 3 of the Royal Decree of 7 July 1999 on the public nature of financial transactions acting for their own account, and this Prospectus may not be delivered or passed on to any other investors.

## **Germany**

No action has been or will be taken in the Federal Republic of Germany that would permit a public offering of the Shares, or distribution of a prospectus or any other offering material relating to the Shares. In particular, no sales prospectus (*Verkaufsprospekt*) within the meaning of the German Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) of 13 December 1990, as amended, (the “German Sales Prospectus Act”) has been or will be published within the Federal Republic of Germany, nor has this Prospectus been filed with or approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) for publication within the Federal Republic of Germany. Accordingly, any offer or sale of the Shares or any distribution of offering material within the Federal Republic of Germany may violate the provisions of the German Sales Prospectus Act.

Each Underwriter has agreed (i) that it has not offered, sold or delivered and will not offer, sell or deliver any Shares within the Federal Republic of Germany otherwise than in accordance with the German Sales Prospectus Act, and (ii) that it will distribute in the Federal Republic of Germany any offering material relating to the Shares only under circumstances that will result in compliance with the applicable rules and regulations of the Federal Republic of Germany.

## **Italy**

The Global Offer has not been cleared by Consob pursuant to Italian securities legislation and, accordingly, the Underwriters will not offer, sell, or deliver any Shares or distribute copies of this Prospectus or of any other document relating to the Shares in the Republic of Italy, except to professional investors, as defined in Article 31, second paragraph, of Consob Regulation n. 11522 of 1<sup>st</sup> July, 1998, as amended, and provided that such professional investors will act in their capacity and not as depositaries or nominees for other shareholders

## **Luxembourg**

Each Underwriter has agreed that no public offerings or sales of the Shares or any distribution of this Prospectus or any other offering material relating to the Shares will be made to the public in or from Luxembourg, except for the Shares in respect of which the requirements of Luxembourg law concerning a public offering of securities in Luxembourg have been fulfilled.

## **VALIDITY OF THE SHARES**

The validity of the Shares and certain other legal matters will be passed upon by Stibbe NV, our Dutch counsel, and certain legal matters will be passed upon by De Brauw Blackstone Westbroek NV, Dutch counsel for the Underwriters. We are also being represented by Herbert Smith LLP, our US and English counsel. The Underwriters are also being represented by Sullivan & Cromwell LLP, their US counsel.

### **INDEPENDENT AUDITORS**

Our audited consolidated financial statements as of and for each of the years in the three-year period ended 31 December 2002, 2003 and 2004, appearing in this Prospectus have been audited by Deloitte Accountants BV, independent auditors, as stated in their report thereon appearing elsewhere herein.

## GENERAL INFORMATION

### Available Information

Annually, within five months of the end of our fiscal year, unless the General Meeting of Shareholders has extended this period for a maximum of six months due to special circumstances, the Management Board is required to prepare annual accounts, accompanied by an annual report and an accountant's certificate. The annual accounts must be signed by all members of the Management Board and the Supervisory Board. The annual accounts, annual report and accountant's certificate as well as our Articles of Association will be available to shareholders without charge at our head office in Amsterdam during regular business hours from the day of notice convening the annual General Meeting of Shareholders.

Copies of our annual accounts for the years ended 31 December 2002, 2003 and 2004 and our Articles of Association may also be obtained free of charge by sending a request in writing to us at our business address: Rembrandtplein 35, 1017 CT Amsterdam, The Netherlands. In addition, copies of this Prospectus may also be obtained free of charge by sending a request in writing to the co-lead managers at any of the following addresses:

**Fortis Bank**  
Rokin 55  
1012 KK Amsterdam  
The Netherlands

**Kempen & Co Corporate  
Finance BV**  
Beethovenstraat 300  
1077 WZ Amsterdam  
The Netherlands

**Rabo Securities NV**  
Amstelplein 1  
1096 HA Amsterdam  
The Netherlands

Alternatively, this Prospectus may be obtained through the website of Euronext Amsterdam at [www.euronext.com](http://www.euronext.com).

### Provision of Information

We have agreed that, for so long as any of the Shares are outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted Shares or to any prospective purchaser of such restricted Shares designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

We are not currently subject to the periodic reporting and other informational requirements of the Exchange Act.

### Organisational Structure

We hold a 100% ownership interest in TomTom International BV, a Dutch limited liability operating company with registered office at Rembrandtplein 35, 1017 CT Amsterdam. TomTom International BV changed its name from TomTom BV on 13 May 2005. TomTom International BV in turn holds a 100% ownership interest in each of TomTom Software Limited, a UK limited liability operating company with offices at 3/5/7 Huntsworth Mews, London NW1 6DE, TomTom Inc., a US operating company with offices at 150 Baker Avenue, Concord, Massachusetts 01742, and TomTom Asia Limited, a Taiwan limited liability operating company with offices at 5F-8, No. 258 Lain-Cheng Rd., Chong Ho City, Taipei, Taiwan 235.

### Financial Advisor

Nick Kaufmann Limited has acted as our financial advisor in connection with the Global Offer and is not an underwriter or otherwise involved in the distribution of Shares. Nick Kaufmann Limited accepts no responsibility for the contents of this Prospectus. We will pay Nick Kaufmann Limited a fee which will

amount to 0.5% of the gross proceeds of the Global Offer, including the Over-allotment Option if exercised. We expect to pay approximately 90% of that fee in the form of ordinary shares and the remaining 10% in cash. We have not included the shares to be issued to Nick Kaufmann Limited in the figures relating to our share capital following the Global Offer.

Nick Kaufmann Limited has agreed not to sell or otherwise transfer any of our ordinary shares or securities exchangeable or convertible into, or exercisable for, our ordinary shares for a period of 180 days from the Settlement Date, except with our prior written consent, subject to limited exceptions.

## **SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND US GAAP**

Our consolidated financial statements, prepared in accordance with IFRS, may differ in certain material respects when compared to US GAAP. We draw your attention to such differences with respect to us below:

### **Accounting for Development Costs**

In accordance with IFRS, when certain criteria are met, we capitalise development costs and amortise such costs on a straight-line basis over the estimated useful life. Under US GAAP, such development costs would be directly expensed when incurred.

### **Presentation of Customer Reimbursed Marketing Expenses**

In accordance with IFRS, we present marketing expenses reimbursed to customers as selling, general and administrative expenses while under US GAAP such marketing expenses would be presented as a reduction of revenue.

### **Segmented Reporting**

Under IFRS, segment reporting is made for regions only, while under US GAAP separate data per product segment may also be required.



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## GLOSSARY OF SELECTED TERMS

The following explanations are not intended as technical definitions, but to assist investors in understanding certain terms used in this Prospectus.

ASN . . . . .	“Assisted Satellite Navigation”. Our positioning augmentation technology, installed in our TomTom GO 500 and 700 product models. The ASN chip can track vehicle turns and uses the pre-planned route to estimate current position during GPS signal interruption.
assisted GPS (“AGPS”) . . . . .	A system established by mobile phone network providers to provide fast and accurate positioning data by collecting satellite position logarithms on one central server, enabling easy access by GPS receivers that have just been activated or have previously lost signal. The AGPS system thereby reduces the time necessary for GPS receivers to acquire satellite signals, and provides position information to a greater degree of accuracy.
augmentation systems . . . . .	Systems designed to boost the accuracy of GPS signal reception and position calculation. Examples of GPS augmentation systems include map-matching, dead reckoning, AGPS technology and ASN technology.
Bluetooth . . . . .	Technology, generally in the form of an installed Bluetooth chip, that allows the wireless transmission of large amounts of data or voice information between electronic devices across operating systems and different hardware manufacturers.
business-to-business applications . . . .	Applications designed to facilitate interaction or coordination among businesses.
carrier-grade . . . . .	Information technology systems that are statistically 99.999% reliable, contain a mechanism to restrict failures to non-critical areas and have built-in redundancy. Maintenance of these systems can be conducted on carrier-grade systems without affecting service levels.
dead reckoning . . . . .	A navigation augmentation system that is used to reduce the GPS margin of error when the GPS signal is interrupted, for instance in a tunnel. Dead reckoning reduces the GPS margin of error by extrapolating the user’s current location by measuring a known point against the last known speed and position.
dealer-fitted navigation systems . . . .	Navigation devices or applications that utilise satellite navigation and that are fitted in vehicles after sale on a permanent basis by dealers, garages or other professional installers.
factory-installed navigation systems . .	Navigation devices or applications that utilise satellite navigation and are factory-installed in vehicles on a permanent basis.

Galileo . . . . .	A satellite navigation system of 30 dedicated navigation satellites currently being developed and deployed by the European Space Agency alongside the GPS network. The European Space Agency expects Galileo to be fully deployed by 2008.
Global Positioning System (“GPS”) . .	A network of 24 dedicated satellites funded and maintained by the US government which currently beams a signal worldwide to allow GPS receivers to calculate an exact geographic location anywhere on the earth’s surface.
GPS receiver . . . . .	A device or chip created to receive GPS signals and calculate the receiver’s precise location anywhere on the earth’s surface by detecting its distance from three or more different GPS satellites.
integrated navigation device . . . . .	Navigation products which are solely dedicated to providing position information to users by integrating GPS receiver technology, map data and a user interface screen to present navigation instructions.
LCD touchscreen . . . . .	“Liquid Crystal Display” touchscreens. Full colour screens which are configured to provide touch button input instead of keyboard or mouse input.
localisation . . . . .	Modifying the standard version of a product to make it country-, language- and model-specific.
location-based servers . . . . .	Servers that store map, traffic and other location-relevant data on a central server rather than on the navigation device. Location servers enable a wide range of location-dependent information services, including navigation, to be provided to users of wireless products such as mobile phones or PDAs.
map-matching . . . . .	A navigation augmentation system which is used to reduce the GPS margin of error by matching the user’s GPS-generated position to the nearest likely or accessible point on the map.
NavCore . . . . .	Our distinctive software platform, now in its second-generation, which allows us to provide a consistency of features and a high-quality personal navigation experience across a wide variety of hardware platforms or operating systems. NavCore enables optimised route planning, real-time map rendering and quick search capabilities to find locations and addresses. NavCore is capable of functioning in any mobile device with sufficient memory, processing power and an operating system. Compatible operating systems include Linux, Windows, Windows CE.Net, Pocket PC, Microsoft Smartphone, Palm/OS and all Symbian/OS variants including Nokia and Sony Ericsson.
off-board navigation products . . . . .	Products which offer navigation applications for smartphones, standard mobile phones or phone-enabled PDAs by accessing map information and route instructions from a remote location server. This greatly reduces the memory and processing demands on the device but requires a connection to be made to the mobile network for all navigation information.

on-board navigation products . . . . .	Products which offer navigation applications with map data stored in a device, often in a memory card.
packet-switched . . . . .	A type of data communications network in which data is sent in small units (“packets”), each with its own destination address. Once all the packets arrive at the destination, they are re-combined into the original message for the recipient.
PCT . . . . .	“Patent Cooperation Treaty”. Treaty which came into force in 1978, and which provides a unified procedure for making patent applications in PCT member countries.
PDA’s . . . . .	“Personal Data Assistants”. Handheld consumer electronic devices which are capable of hosting navigation software.
personal navigation products . . . . .	Navigation devices or applications which utilise satellite navigation and which are portable and transferable rather than being permanently fitted in a vehicle. Personal navigation products include integrated navigation devices such as the TomTom GO, navigation applications for PDAs such as the TomTom Navigator and navigation software for smartphones such as the TomTom MOBILE.
points of interest . . . . .	Distinctive geographic points which may be of interest to users of navigation products, including fuel stations, restaurants, hotels, tourist attraction and landmarks.
satellite navigation products . . . . .	Products utilising location signals generated by navigation satellites to navigate on the earth’s surface. Includes factory-installed navigation systems, dealer-fitted navigation systems and personal navigation products.
SD memory card . . . . .	“Secure Digital” memory cards. Small memory cards which allow for data storage and transfer among different electronic devices. SD cards are relatively robust compared to other forms of data storage and enable a high rate of data transfer. They are used in personal navigation products to store map data.
smartphones . . . . .	A type of mobile phone containing operating system software that provides a standardised interface and platform for application developers. Smartphones usually have a standard phone keypad for input, and have more powerful processors and larger user interface screens than standard mobile phones.
user interface . . . . .	The part of a navigation product which allows the user to communicate with the operating software—for instance, an LCD touchscreen on an integrated navigation device, or a PDA or smartphone screen.
value-added distributors . . . . .	Distributors whose role consists of direct product placement with retailers as well as actively educating consumers and promoting and merchandising our products to the public.

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## INDEX TO FINANCIAL STATEMENTS

TomTom Group BV<sup>1</sup>  
Statutory seat Hoofddorp

Corporate head office  
Rembrandtplein 35  
1017 CT Amsterdam  
The Netherlands

### Financial Statements

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(1) TomTom Group BV, previously known as Versalis Group BV at 31 December 2004 and having changed its name to TomTom Group BV in April 2005.

## **Auditor's Report**

To the Management Board and Shareholders of TomTom Group BV.

### **Introduction**

We have audited the accompanying consolidated balance sheets of TomTom Group BV (the "Company"), previously known as Versalis Group BV at 31 December 2004 and having changed its name to TomTom Group BV on 14 April 2005, as of 31 December 2002, 2003 and 2004 and the related statements of income, changes in equity and cash flows for the years then ended. these financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### **Scope**

We conducted our audit in accordance with auditing standards generally accepted in The Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion the financial statements give a true and fair view of the financial position of the Company as of 31 December 2002, 2003 and 2004 and of the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board.

Deloitte Accountants BV

Amsterdam, the Netherlands, 26 April 2005



**TomTom Group BV**  
**Consolidated Balance Sheet as at 31 December**  
(after proposed appropriation of the net result)

	<u>Notes</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
		(€ in thousands)		
<b><i>Non-current assets</i></b>				
Intangible assets . . . . .	3	336	599	960
Property, plant and equipment . . . . .	4	226	565	2,050
<b>Total non-current assets</b> . . . . .		<u>562</u>	<u>1,164</u>	<u>3,010</u>
<b><i>Current assets</i></b>				
Inventories . . . . .	5	557	2,218	13,402
Trade receivables . . . . .	6	2,659	9,076	29,383
Other receivables and prepayments . . . . .	7	194	1,605	4,975
Cash and equivalents . . . . .	8	807	6,895	40,167
<b>Total current assets</b> . . . . .		<u>4,217</u>	<u>19,794</u>	<u>87,927</u>
<b>Total assets</b> . . . . .		<u><b>4,779</b></u>	<u><b>20,958</b></u>	<u><b>90,937</b></u>
<b>Equity and liabilities</b>				
<b><i>Shareholders' Equity</i></b>	9			
Share capital . . . . .		18	18	18
Share premium . . . . .		619	619	619
Legal reserves . . . . .		269	579	946
Cumulative translation reserve . . . . .		0	30	15
Stock compensation reserve . . . . .	10	0	103	2,614
Retained earnings . . . . .		773	6,244	33,594
<b>Total equity</b> . . . . .		<u>1,679</u>	<u>7,593</u>	<u>37,806</u>
Provisions . . . . .	11	0	70	394
<b><i>Long-term liabilities</i></b>				
Deferred tax liability . . . . .	12	0	0	1,301
<b><i>Current liabilities</i></b>				
Trade payables . . . . .		1,781	6,982	25,608
Tax and social security . . . . .		556	2,952	12,867
Other accruals . . . . .		35	850	6,248
Other liabilities . . . . .		728	2,511	6,713
<b>Total current liabilities</b> . . . . .		<u>3,100</u>	<u>13,295</u>	<u>51,436</u>
<b>Total equity and liabilities</b> . . . . .		<u><b>4,779</b></u>	<u><b>20,958</b></u>	<u><b>90,937</b></u>

**TomTom Group BV**  
**Consolidated Income Statement for the Year Ended 31 December**

	Notes	2002	2003	2004
(€ in thousands, except per share amounts)				
Revenue . . . . .	16	7,886	39,129	192,429
Cost of sales . . . . .	17	<u>3,483</u>	<u>19,745</u>	<u>107,192</u>
<b>Gross profit</b> . . . . .		<u>4,403</u>	<u>19,384</u>	<u>85,237</u>
<b>Operating expenses</b>				
Selling, general and administrative expenses . . . . .		1,714	7,148	36,817
Research and development expenses . . . . .		<u>918</u>	<u>2,267</u>	<u>4,983</u>
<b>Total operating expenses</b> . . . . .	19	<u>2,632</u>	<u>9,415</u>	<u>41,800</u>
<b>Operating profit</b> . . . . .		<u>1,771</u>	<u>9,969</u>	<u>43,437</u>
Financial expenses and (income), net . . . . .	20	<u>-9</u>	<u>525</u>	<u>774</u>
<b>Profit before tax</b> . . . . .		<u>1,780</u>	<u>9,444</u>	<u>42,663</u>
Income tax . . . . .	21	<u>419</u>	<u>3,263</u>	<u>14,946</u>
<b>Net profit</b> . . . . .		<u><b>1,361</b></u>	<u><b>6,181</b></u>	<u><b>27,717</b></u>
<b>Net profit per share (euro)</b> . . . . .	22			
Basic . . . . .		0.75	3.39	15.19
Diluted . . . . .		0.75	3.27	14.20
Dividend per share (euro) . . . . .		0.08	0.22	0.00
<b>Pro-forma net profit per share (euro) (unaudited)<sup>1</sup></b>				
Basic . . . . .		0.01	0.06	0.28
Diluted . . . . .		0.01	0.06	0.26

(1) Net profit per share for the years ended 31 December 2002, 2003 and 2004 respectively, has also been computed on a pro-forma basis assuming the change in the number of shares outstanding to 100 million shares to be effected, and had been outstanding at 31 December 2002, 2003 and 2004 respectively.

**TomTom Group BV**  
**Consolidated Cash Flow Statement for the Year Ended 31 December**

	<u>Notes</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
		(€ in thousands)		
<b>Cash flow from operating activities</b>				
Operating profit . . . . .		1,771	9,969	43,437
Adjustments for non-cash items:				
Depreciation and amortisation . . . . .		184	382	1,128
Foreign exchange results . . . . .		0	-376	-451
Additions to provisions . . . . .		0	70	324
Additions to stock compensation reserve . . . . .	10	0	103	2,511
Changes in working capital:				
Increase in inventories . . . . .		-494	-1,661	-11,184
Increase in receivables and prepayments . . . . .		-2,354	-7,828	-23,677
Increase in current liabilities . . . . .		1,911	8,056	32,376
<b>Cash generated from operations . . . . .</b>		<b>1,018</b>	<b>8,715</b>	<b>44,464</b>
Interest received . . . . .		13	42	169
Corporate income taxes paid . . . . .		37	-1,123	-7,880
<b>Net cash flow from operating activities . . . . .</b>		<b>1,068</b>	<b>7,634</b>	<b>36,753</b>
<b>Cash flow used in investing activities</b>				
Investments in intangible assets . . . . .		-282	-439	-653
Investments in property, plant and equipment . . . . .		-217	-546	-2,321
<b>Total cash flow used in investing activities . . . . .</b>		<b>-499</b>	<b>-985</b>	<b>-2,974</b>
<b>Cash flow from financing activities</b>				
Interest paid . . . . .		-4	-161	-507
Dividends paid . . . . .		-150	-400	0
<b>Total cash flow from financing activities . . . . .</b>		<b>-154</b>	<b>-561</b>	<b>-507</b>
<b>Net increase in cash and cash equivalents . . . . .</b>		<b>415</b>	<b>6,088</b>	<b>33,272</b>
<b>Cash and cash equivalents at beginning of period . . . . .</b>		<b>392</b>	<b>807</b>	<b>6,895</b>
<b>Cash and cash equivalents at end of period . . . . .</b>		<b>807</b>	<b>6,895</b>	<b>40,167</b>

**TomTom Group BV**  
**Statement of Changes in Equity for the Year Ended 31 December**

	Share capital	Share premium	Legal reserves	Cumulative translation adjustment	Stock compensation reserve	Retained earnings	Total
	(€ in thousands)						
<b>Balance as at</b>							
<b>1 January 2002 . . . . .</b>	<b>18</b>	<b>640</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-169</b>	<b>489</b>
Translation differences . .	0	0	0	0	0	0	0
Paid to shareholders . . .	0	-21	0	0	0	0	-21
Profit for the year . . . . .	0	0	0	0	0	1,361	1,361
Dividends . . . . .	0	0	0	0	0	-150	-150
Transfer to legal reserves .	0	0	269	0	0	-269	0
<b>Balance as at</b>							
<b>31 December 2002 . . . .</b>	<b>18</b>	<b>619</b>	<b>269</b>	<b>0</b>	<b>0</b>	<b>773</b>	<b>1,679</b>
Translation differences . .	0	0	0	30	0	0	30
Profit for the year . . . . .	0	0	0	0	0	6,181	6,181
Dividends . . . . .	0	0	0	0	0	-400	-400
Transfer to legal reserves .	0	0	310	0	0	-310	0
Stock compensation reserve . . . . .	0	0	0	0	103	0	103
<b>Balance as at</b>							
<b>31 December 2003 . . . .</b>	<b>18</b>	<b>619</b>	<b>579</b>	<b>30</b>	<b>103</b>	<b>6,244</b>	<b>7,593</b>
Translation differences . .	0	0	0	-15	0	0	-15
Profit for the year . . . . .	0	0	0	0	0	27,717	27,717
Dividends . . . . .	0	0	0	0	0	0	0
Transfer to legal reserves .	0	0	367	0	0	-367	0
Stock compensation reserve . . . . .	0	0	0	0	2,511	0	2,511
<b>Balance as at</b>							
<b>31 December 2004 . . . .</b>	<b>18</b>	<b>619</b>	<b>946</b>	<b>15</b>	<b>2,614</b>	<b>33,594</b>	<b>37,806</b>

***Statutory provisions with respect to appropriation of results***

According to the Company's Articles of Association, the Company's reserves may be distributed to shareholders, provided that total shareholders' equity exceeds the called-up and paid-up capital of the Company, increased by legal and statutory reserves.

***Legal reserves***

Legal reserves are non-distributable reserves that have been recorded for the amount of capitalised development costs.

***Stock compensation reserve***

The stock compensation reserve represents the cumulative expense of issued share options that have been granted but not exercised and the amount of a tax benefit relating to the tax deduction that exceeds the related commercial cumulative remuneration expenses.

**TomTom Group BV**  
**Notes to the Consolidated Financial Statements**

**1. General**

TomTom Group BV (the “Company”), previously known as Versalis Group BV at 31 December 2004 and having changed its name to TomTom Group BV in April 2005.

The Company has its statutory seat in Hoofddorp, the Netherlands. The Company has its headquarters in Amsterdam, the Netherlands. The activities of the Company include the development and sale of navigation solutions. The primary focus of these activities is on personal navigation.

**2. Accounting Principles**

***Basis of accounting***

The financial statements for the years ended 31 December 2002, 2003 and 2004 respectively, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for the first time, as published by the International Accounting Standards Board and effective 31 December 2004. The difference between the Company’s statutory shareholder’s equity under Dutch Generally Accepted Accounting Principles (“Dutch GAAP”) and IFRS as of 1 January 2002 is inconsequential. The difference between the Company’s statutory shareholder’s equity under Dutch GAAP and IFRS as of 1 January 2004 is set out in note 24. The Company has also early applied IFRS 2, “Accounting for share-based payments” which is effective from 1 January 2005, in the 2004 financial statements. The consolidated financial statements are prepared under the historical cost convention. Assets and liabilities are stated at nominal value unless indicated otherwise.

The preparation of these consolidated financial statements requires that the Company makes assumptions, estimates and judgements that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates estimates and judgements based on historical experience and other factors and makes various assumptions that it believes to be reasonable under the circumstances. The results form the basis for making estimates and judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

***Basis of consolidation***

The Company’s financial statements consolidate the financial statements of all of its subsidiary companies over which the Company exercises control. Control is achieved where the Company has the power to govern the financial and operating policies of the subsidiary and thus obtain the benefits from its activities. All significant intercompany balances and transactions are eliminated on consolidation.

The following subsidiaries are included in the consolidated financial statements of the Company:

<b>Subsidiary name</b>	<b>Country of incorporation and residence</b>	<b>Place of residence</b>	<b>Proportion of ownership interest</b>
TomTom BV . . . . .	NL	Amsterdam	100%
TomTom Incorporated . . . . .	US	Concord, MA	100%
TomTom Software Ltd. . . . .	UK	London	100%

### ***Revenue***

Revenue is measured as the fair value of the consideration received or receivable. Revenue on the sale of goods is only recognised when the risks and rewards of ownership of goods are transferred to the Company's customers (which include distributors, retailers, end-users and Original Equipment Manufacturers ("OEMs")). The risks and rewards of ownership are transferred when the goods are shipped and when customers have no contractual rights of return. When returns are probable, an estimate is made based upon historical rates of returns and recorded as a direct deduction from revenue. Revenue is recorded net of sales taxes, performance-based rebates and product returns.

### ***Interest income***

Interest income is accrued on a time basis, based on the principal outstanding and at the applicable effective interest rate.

### ***Expenses***

Expenses are recognised in the income statement on the basis of a direct association between the costs incurred and the items of income related to them.

### ***Foreign currency***

The Company's primary activities are denominated in euros. Accordingly, the Company has chosen the euro as its functional currency.

Transactions in foreign currencies are recorded in euros using the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the euro are translated using the rate of exchange prevailing at the balance sheet date and the results on translation are included in the income statement.

For consolidation purposes, the Company classifies its subsidiaries as "foreign entities". The assets and liabilities are translated at the closing exchange rates, whereas the income information is translated at the average monthly exchange rates. Translation differences arising thereon are taken to shareholders' equity.

### ***Derivative financial instruments***

The Company's activities expose the Company primarily to the financial risks of changes in foreign currency exchange rates. The Company uses forward foreign exchange contracts and foreign exchange option contracts to hedge these exposures. The Company does not use derivative financial instruments for speculative purposes. Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise.

### ***Income tax***

The income tax charge is based on the profit for the year and includes deferred taxation. Deferred taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At each balance sheet date, the Company reassesses unrecognised deferred tax assets and the carrying amount of deferred tax assets.

On 21 April 2005, the Company agreed with the tax authorities on the treatment of taxes for share options granted in 2003. For 2004 share option grants, it has been agreed that such options will be taxed for employees at exercise. The Company has calculated the corporate income tax for 2004 based on the agreement with the tax authorities and its best estimate given all available information.

The tax benefit relating to the excess of the tax basis compared to the commercial basis for share options issued to employees is directly recognised in equity.

#### ***Related party transactions***

Transactions between the Company and related parties are disclosed in note 23, specifying the nature, types and details of the transactions and the relationships.

#### ***Intangible assets***

##### ***Trademarks***

Trademarks are recorded at cost and are amortised on a straight-line basis over their estimated useful lives being approximately four years.

##### ***Development costs***

Internally generated software development costs arising from the creation and update of the Company's core software technology, are recognised as an asset only if all of the following criteria are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internal software development costs related to creating and upgrading the Company's core software platform are capitalised and amortised on a straight-line basis over the useful economic life of the software, which is estimated to be four years.

Internal software costs not relating to the Company's core software platform are expensed as incurred given the useful economic life of less than one year.

Engineering costs relating to the detailed manufacturing design of new products are recorded in the income statement as research and development expenses as incurred.

The costs of tools and moulds used in the manufacturing of the Company's products are capitalised within property, plant and equipment, and depreciated within research and development costs over their estimated useful economic lives, which is usually less than a year.

The Company is required to use estimates, assumptions and judgements to determine the expected useful economic lives and future economic benefits of these software costs. Such estimates are made on a regular basis or as appropriate throughout the year as they can be significantly affected by changes in technology and other factors.



### ***Property, plant and equipment***

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment charges. Depreciation is recorded on a straight-line basis over the estimated useful economic lives of the assets as follows:

Furniture and fixtures . . . . .	5-10 years
Computer equipment and hardware . . . . .	2-4 years
Software and systems . . . . .	2-5 years
Vehicles, tools and moulds . . . . .	4 years

### ***Impairment of assets***

At each balance sheet date the Company reviews the carrying amounts of its tangible and intangible assets to determine whether changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indication exists, the recoverable amount will be estimated in order to determine the extent of the impairment loss. The recoverable amount is the greater of the net selling price and the value in use. The value in use equals the net present value of the future cash flow generated by the asset, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount is lower than the carrying amount, a reduction to the carrying amount is made. Such an impairment loss is recognised as an expense immediately.

### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase and assembly and conversion to finished products. The cost of inventories is recorded by using the first-in first-out cost basis, net of reserves for obsolescence and any excess stock. Net realisable value represents the estimated selling price less an estimate of costs of completion and direct selling costs.

### ***Trade receivables***

Trade receivable are recorded net of allowances for doubtful accounts.

### ***Provisions***

#### ***Warranty provision***

The Company provides for warranty claims based on historical and estimated return rates per product line and estimated average repair costs. Warranty costs are recorded as cost of sales.

#### ***Other provisions***

Other provisions are recorded for probable liabilities that can be reasonably estimated.

### ***Share-based payments***

The Company has applied early the requirements of IFRS 2 “Accounting for share-based payments”. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2004. The Company issues equity-settled share-based payments to eligible employees including members of management. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company’s estimate of shares that will eventually vest. Fair value is measured by use of the Black-

Scholes model. The expected life of the share options used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

### ***Payables***

All payables are valued at nominal value.

### ***Leasing***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Company has not entered into any finance leasing arrangements. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

### ***Principles for preparation of the consolidated cash flow statement***

The cash flow statement is prepared using the indirect method.

The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents can be considered as highly liquid investments.

Cash flows in foreign currencies are translated at a monthly average rate. Exchange rate differences concerning financing activities are shown separately in the cash flow statement.

Corporate income taxes, interest received and dividends received are stated under the cash flow from operating activities. Interest paid and dividends paid are stated under the cash flow from financing activities.

### 3. Intangible Assets

	Development costs	Trademarks (€ in thousands)	Total
<i>Balance as at 1 January 2002</i>			
Investment cost . . . . .	176	0	176
Accumulated amortisation . . . . .	23	0	23
	153	0	153
<i>Movements</i>			
Investments . . . . .	184	98	282
Amortisation charges . . . . .	68	31	99
	116	67	183
<i>Balance as at 31 December 2002</i>			
Investment cost . . . . .	360	98	458
Accumulated amortisation . . . . .	91	31	122
	<b>269</b>	<b>67</b>	<b>336</b>
<i>Movements</i>			
Investments . . . . .	449	-11	438
Amortisation charges . . . . .	139	36	175
	310	-47	263
<i>Balance as at 31 December 2003</i>			
Investment cost . . . . .	809	87	896
Accumulated amortisation . . . . .	230	67	297
	<b>579</b>	<b>20</b>	<b>599</b>
<i>Movements</i>			
Investments . . . . .	653	0	653
Amortisation charges . . . . .	286	6	292
	367	-6	361
<i>Balance as at 31 December 2004</i>			
Investment cost . . . . .	1,462	87	1,549
Accumulated amortisation . . . . .	516	73	589
	<b>946</b>	<b>14</b>	<b>960</b>

No impairment of intangible assets was identified during the accounting periods.

#### 4. Property, Plant and Equipment

	<b>Furniture and fixtures</b>	<b>Computer hardware and software</b>	<b>Vehicles, tools and moulds</b>	<b>Total</b>
	<b>(€ in thousands)</b>			
<i>Balance as at 1 January 2002</i>				
Investment cost . . . . .	32	168	20	220
Accumulated depreciation . . . . .	14	112	0	126
	18	56	20	94
<i>Movements</i>				
Investments . . . . .	63	154	0	217
Depreciation charges . . . . .	20	60	5	85
	43	94	-5	132
<i>Balance as at 31 December 2002</i>				
Investment cost . . . . .	95	322	20	437
Accumulated depreciation . . . . .	34	172	5	211
	<b>61</b>	<b>150</b>	<b>15</b>	<b>226</b>
<i>Movements</i>				
Investments . . . . .	141	400	5	546
Depreciation charges . . . . .	41	161	5	207
	100	239	0	339
<i>Balance as at 31 December 2003</i>				
Investment cost . . . . .	236	722	25	983
Accumulated depreciation . . . . .	75	333	10	418
	<b>161</b>	<b>389</b>	<b>15</b>	<b>565</b>
<i>Movements</i>				
Investments . . . . .	1,206	828	287	2,321
Depreciation charges . . . . .	107	505	224	836
	1,099	323	63	1,485
<i>Balance as at 31 December 2004</i>				
Investment cost . . . . .	1,442	1,550	312	3,304
Accumulated depreciation . . . . .	182	838	234	1,254
	<b>1,260</b>	<b>712</b>	<b>78</b>	<b>2,050</b>

No impairment of property, plant and equipment was identified during the accounting periods.

#### 5. Inventories

	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>(€ in thousands)</b>		
Finished goods . . . . .	92	1,226	2,860
Components and sub-assemblies . . . . .	465	1,287	11,196
Allowance for obsolete inventories . . . . .	0	-295	-654
	<b>557</b>	<b>2,218</b>	<b>13,402</b>

## 6. Trade Receivables

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	<b>(€ in thousands)</b>		
Gross trade receivables . . . . .	2,659	9,739	30,000
Allowance for doubtful receivables . . . . .	0	-663	-617
<i>Trade receivable net</i> . . . . .	<u><b>2,659</b></u>	<u><b>9,076</b></u>	<u><b>29,383</b></u>

All receivables are expected to be received within a year. An allowance has been made for estimated unrecoverable amounts from the sale of goods.

### *Credit risk*

The Company's credit risk is primarily attributable to its trade receivables. The amounts are recorded in the balance sheet net of an allowance for doubtful receivables, estimated by the Company's management based on prior experiences and their assessment of the customers' ability to pay the outstanding receivables.

## 7. Other Receivables and prepayments

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	<b>(€ in thousands)</b>		
Prepayments . . . . .	26	97	539
VAT and other taxes . . . . .	0	1,129	3,210
Other receivables . . . . .	168	379	1,226
	<u><b>194</b></u>	<u><b>1,605</b></u>	<u><b>4,975</b></u>

## 8. Cash and Cash Equivalents

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	<b>(€ in thousands)</b>		
Cash and equivalents . . . . .	807	6,784	37,667
Deposits . . . . .	0	111	2,500
	<u><b>807</b></u>	<u><b>6,895</b></u>	<u><b>40,167</b></u>

Cash and cash equivalents comprise of cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

All cash and cash equivalents are available for immediate use by the Company.

The Company had an unused overdraft facility of €10 million, which it terminated in April 2005.

## 9. Shareholders' Equity

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Number of authorised shares . . . . .	9,000,000	9,000,000	9,000,000
Number of issued and fully paid shares . . . . .	1,824,276	1,824,276	1,824,276
Par value per share (euro) . . . . .	0.01	0.01	0.01

The Company has one class of ordinary shares that carry no right to a fixed income.

## 10. Share options

<b>Stock Compensation Reserve</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>(€ in thousands)</b>		
Opening balance . . . . .	0	0	103
Stock compensation expenses . . . . .	0	103	1,044
Tax benefit . . . . .	0	0	1,467
Closing balance . . . . .	<u>0</u>	<u>103</u>	<u>2,614</u>

The tax benefit relates to the excess of the tax basis compared to the commercial basis for share options issued to employees.

In 2003, TomTom BV adopted a share option plan as an incentive for members of management and eligible employees. Under the scheme, the Share Option Committee may grant options to eligible employees, including members of management, to subscribe for shares.

The compensation under the plan qualifies as “Equity-settled share-based payments”. Vesting is generally based on years of service. These terms result in options under the plan that cannot be transferred, pledged or charged and may be exercised only by the option holder over a period of two years starting three years after the date of the grant. Options expire five years after the date of grant.

The grant of options has and will lead to expenses for the Company. The Company expenses an amount based upon the total number of vested options and their fair value as of the date of grant.

The options will be covered in the future by issuing new shares.

	<b>Total</b>
<b>Total weighted average value for options outstanding at the beginning of the year (euro)</b> . .	657,911
Options granted in 2003 and outstanding at the beginning of 2004 . . . . .	102,972
Weighted average exercise price per option (euro) . . . . .	6.39
<b>Total weighted average value for options granted during the year (euro)</b> . . . . .	9,121,720
Options granted during 2004 . . . . .	75,228
Weighted average exercise price per option (euro) . . . . .	121.25
<b>Total weighted average value for options exercised during the year (euro)</b> . . . . .	0
Options exercised during 2004 . . . . .	0
Weighted average exercise price per option (euro) . . . . .	0
<b>Total weighted average value for options at year-end (euro)</b> . . . . .	9,779,631
Options as per 31 December 2004 . . . . .	178,200
Weighted average exercise price per option (euro) . . . . .	54.88
<b>Average remaining period (years)</b> . . . . .	3.91

Prior to 2003, the Company did not grant any share options.

No share options were exercised or forfeited during 2003 or 2004.

At year-end, the range of exercise prices on outstanding share options varied between €1.24 and €205.73.

No share options were both vested and exercised at year-end.

The Company is in the process of taking steps such that the options as granted by TomTom BV will be exercisable under the same conditions as shares of the Company.

### *Calculation of value of share options on date of grant*

The fair value of the options granted is determined by the Black-Scholes model. This model contains the input variables including risk-free interest rate, volatility on the underlying share, exercise price and shares price at the date of grant. The fair value calculated is allocated to the three year vesting period, using the straight-line method.

<b>The input into the Black-Scholes model is as follows:</b>	<b>2003</b>	<b>2004</b>
Weighted average share price (euro) . . . . .	<b>9.64</b>	<b>65,78</b>
Weighted average exercise price (euro) . . . . .	<b>6.39</b>	<b>54,88</b>
Expected volatility . . . . .	<b>35.00%</b>	<b>35.00%</b>
Expected life . . . . .	<b>60 months</b>	<b>60 months</b>
Weighted average risk free rate . . . . .	<b>3.61%</b>	<b>3.46%</b>
Expected dividends . . . . .	<b>Zero</b>	<b>Zero</b>

Volatility is determined using industry benchmarking for listed peers. The share price on the date of grant is determined in the General Meeting of the Shareholders. The valuation model used to determine the share price is the discounted cash flow model. Important assumptions and details of the model are:

- Forecast period of six years;
- After the forecast period, net profit remains at the level of the last year of the forecast period;
- A non-marketability discount factor for non-listed companies is used; and
- Weighted Average Cost of Capital (WACC) is used as a discount factor.

The Directors have estimated at year end that all outstanding share options will vest.

### *Contingent share options*

Under an existing contractual arrangement, it is agreed that one member of the Management Board and one member of senior management will each receive an additional 27,364 share options (1.5% of current issued share capital) in November 2005. These share options are contingent on their continued employment until November 2005. These contingent share options have a three-year vesting period and a subsequent two-year exercise period.

## **11. Provisions**

	<b>Warranty</b>	<b>Other</b>	<b>Total</b>
	<b>(€ in thousands)</b>		
Opening balance at 1 January 2003 . . . . .	0	0	0
Increases in provisions . . . . .	0	70	70
Utilised . . . . .	0	0	0
Opening balance at 1 January 2004 . . . . .	0	70	70
Increases in provisions . . . . .	394	0	394
Utilised . . . . .	0	-70	-70
Closing balance at 31 December 2004 . . . . .	<b>394</b>	<b>0</b>	<b>394</b>



## 12. Deferred Tax Liability

The deferred tax liability of €1.3 million at 31 December 2004 results from a timing difference between the fiscal treatment of share options granted and the vesting period.

## 13. Operating Lease Commitments

The Company has long-term financial commitments, which are not shown in the Company's balance sheet as of 31 December 2004.

These are operating leases for buildings, cars and office equipment, which consist of:

	2002	2003	2004
	(€ in thousands)		
Commitments less than 1 Year . . . . .	173	314	452
Commitments between 1 - 5 Years . . . . .	333	372	2,702
Commitments longer than 5 Years . . . . .	0	0	724
	<u>506</u>	<u>686</u>	<u>3,878</u>

No discount factor is used in determining the operational lease commitments.

## 14. Other Financial Commitments

As at 31 December 2004, the Company had short-term open purchase commitments for an amount of €7.1 million (2003: €2.6 million) which were not recognised in the financial statements at year-end.

## 15. Post Balance Sheet Events

### Legal

In 2005, the Company became involved in a legal proceeding in the Netherlands with a former finance officer resulting from the termination of the arrangements with him. In addition to asserting that the Company owes him monetary compensation, he claims that approximately 6,000 share options were granted to him in 2004. Although these options are currently in dispute, the Company has included them as an expense in the statement of income for the year-ended 2004. The Company believes that the disposition of this matter will not have a material adverse impact on the financial position or results of operations.

### Reorganisation

At the incorporation of TomTom Nederland BV in April 2005, TomTom Group BV contributed all shares it held in TomTom BV to TomTom Nederland BV, in exchange for 100,000,000 TomTom Nederland BV shares with a nominal value of €0.20 each. Following the incorporation of TomTom Nederland BV, TomTom Group BV will be merged into TomTom Nederland BV, and TomTom Group BV will cease to exist.

As a consequence of this legal merger, TomTom Nederland BV will acquire 100,000,000 of its own shares, and immediately cancel those shares. Also as a consequence of the merger, the Selling Shareholders, as the four shareholders of TomTom Group BV, will become shareholders of TomTom Nederland BV.

Each of the Selling Shareholders will therefore effectively exchange 456,069 shares of TomTom Group BV for 25,000,000 newly-issued shares of TomTom Nederland BV as a consequence of the planned legal merger.

As a result of the above, immediately following and subject to the execution of the Deed of Amendment planned for May 2005, each of the Selling Shareholders will hold 25,000,000 of the issued and outstanding shares of TomTom Nederland BV. Consequently, pro-forma earnings per share are presented based on the intended reorganisation.

## 16. Segment Reporting

During the accounting periods the Company only operated in one business line being that of personal navigation solutions.

The Company generates sales across different geographical regions.

<b>Revenue</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>(€ in thousands)</b>		
Western Europe . . . . .	7,886	38,897	186,795
United States of America . . . . .	0	232	5,634
<b>Total</b> . . . . .	<b>7,886</b>	<b>39,129</b>	<b>192,429</b>
<b>Assets</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>(€ in thousands)</b>		
Western Europe . . . . .	4,779	20,555	88,800
United States of America . . . . .	0	403	2,137
<b>Total</b> . . . . .	<b>4,779</b>	<b>20,958</b>	<b>90,937</b>
<b>Liabilities</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>(€ in thousands)</b>		
Western Europe . . . . .	3,100	13,248	52,159
United States of America . . . . .	0	47	578
<b>Total</b> . . . . .	<b>3,100</b>	<b>13,295</b>	<b>52,737</b>
<b>Capital Expenditures</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>(€ in thousands)</b>		
Western Europe . . . . .	217	519	2,271
United States of America . . . . .	0	27	50
<b>Total</b> . . . . .	<b>217</b>	<b>546</b>	<b>2,321</b>
<b>Results</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>(€ in thousands)</b>		
Western Europe . . . . .	1,361	6,506	27,532
United States of America . . . . .	0	-325	185
<b>Total</b> . . . . .	<b>1,361</b>	<b>6,181</b>	<b>27,717</b>

## 17. Cost of Sales

Cost of sales consist of the following items:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	<b>(€ in thousands)</b>		
Inventories sold during the periods . . . . .	3,483	18,731	100,149
Logistic charges . . . . .	0	1,014	8,931
Exchange rate (gains)/losses on purchases . . . . .	0	0	-1,888
	<u><b>3,483</b></u>	<u><b>19,745</b></u>	<u><b>107,192</b></u>

## 18. Employee Benefits

The total remuneration paid to or on behalf of members of the Management Board and our senior management in the year ended 31 December 2004 amounted to approximately €5.2 million (2003: €0.7 million), of which approximately 83% represented variable remuneration. Included in the amount of variable remuneration is €0.6 million of expenses for options granted and €3 million for related employee taxes for the options granted.

### *Retirement benefit scheme*

The Company's post-employment benefit plan classifies as a defined contribution plan, limiting the employer's legal or constructive obligation to the amount it agrees to contribute during the period of employment. These contributions are recognised in the period to which they relate.

At 31 December 2004 a total number of 152 employees was participating in the post-employment benefit plan.

Employees in the United States are offered the opportunity to participate in the 401K pension plan, which involves no contribution or obligation from the Company besides withholding and paying the employee contribution.

The average number of employees in 2004 was 150 (2003: 75). At 31 December 2004, the Company employed 196 persons (2003: 104).

## 19. Additional Information Regarding Operating Expenses

Included in the operating expenses are, amongst others, the following items:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	<b>(€ in thousands)</b>		
Personnel expenses—salaries . . . . .	1,280	2,949	7,039
Personnel expenses—granted share options . . . . .	0	103	1,044
Personnel expenses—social securities . . . . .	116	299	794
Personnel expenses—pensions . . . . .	19	49	233
Personnel expenses—other . . . . .	84	1,405	2,536
Wage tax—granted share options . . . . .	0	0	3,609
<b>Personnel expenses . . . . .</b>	<u><b>1,499</b></u>	<u><b>4,805</b></u>	<u><b>15,255</b></u>

As agreed with the tax authorities, wage tax relating to certain share options is based on the agreed option value at date of grant. A one-off wage tax charge of €3.6 million relating to options granted in 2003 has been assumed by the Company on behalf of the employees. The wage tax is included under selling, general and administrative expenses (€3.4 million) and within research and development expenses

(€0.2 million) on the face of the income statement with no portion thereof allocated to the expenses as set out in the table below.

<b>Other operating expenses</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>(€ in thousands)</b>		
Expenses on consultancy and other external costs . . . . .	362	398	1,882
Rent and other housing costs . . . . .	122	262	873
Expenses on IT and office . . . . .	93	94	143
Marketing expenses . . . . .	219	2,537	19,630
Depreciation and amortisation expenses . . . . .	184	382	1,128

## 20. Financial Income and Expenses

Financial income and expenses include the following items:

	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>(€ in thousands)</b>		
Interest received . . . . .	13	42	169
Interest paid . . . . .	-4	-161	-507
Exchange rate gains/(losses) . . . . .	0	-406	-436
	<b>9</b>	<b>-525</b>	<b>-774</b>

In 2004, a foreign exchange gain of €1.9 million relating to the purchases of goods was recognised in the cost of sales. During 2003 no foreign exchange gains or losses were recognised in cost of sales.

## 21. Income Tax

	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>(€ in thousands)</b>		
Earnings before taxes . . . . .	1,780	9,444	42,663
Applicable tax rate . . . . .	34.5%	34.5%	34.5%
Taxation . . . . .	614	3,258	14,719
Tax expense recognised . . . . .	419	3,263	14,946
Difference . . . . .	195	-5	-227
This difference to the nominal tax rate is explained by these items:			
Compensation loss 2001 . . . . .	-189	0	0
Tax effect of permanent differences originating for the issue of share options . . . . .	0	28	-35
Tax effect of expenses that are not deductible in determining taxable profit . . . . .	0	0	269
Tax effect of different tax rates of subsidiaries operating in other jurisdictions . . . . .	-6	-23	-7
Total . . . . .	<b>-195</b>	<b>5</b>	<b>227</b>

## 22. Net Profit Per Share

The calculation of basic and diluted net profit per share is based on the following data:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Earnings (€ in thousands)			
Earnings for earnings per share (net profit attributable to equity holders) . . . . .	1,361	6,181	27,717
Number of shares			
Weighted average number of ordinary shares for basic earnings per share . . . . .	1,824,276	1,824,276	1,824,276
Effect of dilutive potential ordinary shares:			
Share options . . . . .	<u>0</u>	<u>63,027</u>	<u>127,723</u>
Weighted average number of ordinary shares for diluted earnings per share . . . . .	<u>1,824,276</u>	<u>1,887,303</u>	<u>1,951,999</u>

## 23. Related Party Disclosure

All other related party transactions are between the Company and its subsidiaries. These have been eliminated on consolidation.

## 24. Reconciliation of net profit with Dutch GAAP

The Company's statutory financial statements for the years ended 31 December 2002, 2003 and 2004 have been prepared in accordance with Dutch GAAP as is required by Dutch law. These statutory financial statements are the official legally required financial statements as submitted to the annual General Meeting of Shareholders for approval and are available from the Company upon request.

It should be noted that the statutory financial statements that are prepared in accordance with Dutch GAAP deviate from the IFRS consolidated financial statements. As of 1 January 2005, all companies listed on Eurolist by Euronext are required to prepare their financial statements in accordance with IFRS.

<b>Reconciliation of material adjustments in equity at 31 December 2004</b>	<b>IFRS</b>	<b>Effect of transition to IFRS (€ in thousands)</b>	<b>Dutch GAAP</b>
Share capital . . . . .	18	0	18
Share Premium . . . . .	619	0	619
Legal reserves . . . . .	946	0	946
Cumulative translation reserve . . . . .	15	0	15
Stock compensation reserve . . . . .	2,614	-1,467	1,147
Retained earnings . . . . .	33,594	1,467	35,061
	<u><b>37,806</b></u>	<u><b>0</b></u>	<u><b>37,806</b></u>

Reconciliation of material adjustments to the income statement for the year ended 31 December 2004	IFRS	Effect of transition to IFRS	Dutch GAAP
		(€ in thousands)	
Revenue . . . . .	192,429	0	192,429
Cost of sales . . . . .	107,192	0	107,192
<b>Gross profit . . . . .</b>	<b>85,237</b>	<b>0</b>	<b>85,237</b>
Total operating expenses . . . . .	41,800	0	41,800
Financial expenses and (income), net . . . . .	774	0	774
<b>Profit before tax . . . . .</b>	<b>42,663</b>	<b>0</b>	<b>42,663</b>
Income tax . . . . .	14,946	-1,467	13,479
<b>Net profit . . . . .</b>	<b>27,717</b>	<b>1,467</b>	<b>29,184</b>

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- BATTERIE : interne Li-Ion 2.200 mAh
- Dimensions et poids : 115 x 90 x 50 mm, 210 g
- Microprocesseur GPS intégré : suivi 12 canaux + trace visible + auto-antenne interne et prise en charge d'antenne externe active (non fournie dans le coffret)



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- BATTERIE : interne Li-Ion 2.200 mAh
- Dimensions et poids : 115 x 90 x 50 mm, 210 g
- Microprocesseur GPS intégré : suivi 12 canaux + trace visible + auto-antenne interne et prise en charge d'antenne externe active (non fournie dans le coffret)



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