

**ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2004**

(as prepared under Dutch Generally Accepted Accounting Principles)

**TOMTOM GROUP B.V.<sup>1</sup>**

**STATUTORY SEAT HOOFDDORP**

Registered with the Amsterdam Chamber of Commerce under number 34150211

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<sup>1</sup> TomTom Group B.V., previously known as Versalis Group B.V. at 31 December 2004 and having changed its name in to TomTom Group B.V. in April 2005.

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## **1 Directors' Report**

TomTom Group B.V. is an Amsterdam based holding company for TomTom B.V. We are a leading provider of personal navigation products and services. Our products include portable all-in-one navigation devices, which work right out of the box, and software based solutions for use on third party PDAs and mobile phones. We also supply location-based information such as traffic information, weather reports and points of interest to the users of our products.

The strong and entirely organic growth we experienced in 2003 continued in 2004 and accelerated after we started shipping our first integrated device, the TomTom Go in May 2004..

In 2004 we generated € 192.4 million of revenues (2003: € 39.1 million) and a net profit of € 29.2 million (2003: € 6.2 million) and at the end of the year we had a workforce of 196. The company generated net cash of € 33.3 million.

Our balance sheet is sound with total equity of € 37.8 million and cash and equivalents of € 40.2 million at year end.

### **Products and markets**

We design our products with an emphasis on innovation, quality, ease of use and value. We focus on the end-user experience with the goal of making navigation easy, affordable and fun. Our portfolio includes the award-winning TomTom GO, and TomTom Navigator software for PDAs and also the TomTom Mobile navigation software for smartphones.

We sell our products and services through an extensive network of retailers, the majority of whom are served by several large distribution companies. Some of our products and services are also sold online, by online retailers and through our own website.

In 2004 we sold our products in 16 countries and in 31 languages, and we continue to expand our geographical presence. Our head office is located in Amsterdam, the Netherlands. We also have offices in the United Kingdom, the United States and Taiwan.

### **Research and development**

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 maximizes the navigation experience in the challenging, resource-constrained, mobile device environment.

### **Operations**

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, final assembly, shipment and tracking, to our global logistics provider.

## **Strategic outlook**

Our goal is to continue to develop our business as 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 a range of activities, which include expanding our portfolio of category-defining personal navigation products by increasing the depth and breadth of our distribution channels, by building the TomTom brand and by introducing new products and services in adjacent and new market segments.

Another goal is to expand our geographical footprint. While to date 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. Through investment in our brand, in marketing our products and through the further strengthening of in-store distribution, TomTom aims to solidify its competitive position in its existing markets and grow its international operations.

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 and expanding our product engineering and design capabilities. We expect our number of employees, and especially our research and development department to grow significantly.

Given the potential size of the market and the current high demand for our products, we expect the business to continue to grow. Revenue growth is expected to be driven by the enlargement of the market for personal navigation solutions inside and outside Europe. The favourable market conditions, however, will inevitably attract new entrants into the market which will increase competition for our products. We will continue to highlight the quality and ease of use of our products and we expect to continue to expand the range of products and services which we offer to both existing and new segments of the market.

## 2 Consolidated Balance Sheet as at 31 December 2004

(after proposed appropriation of the net result)

|                                     | <u>Notes</u> | <u>2004</u>      | <u>2003</u>   |
|-------------------------------------|--------------|------------------|---------------|
|                                     |              | (€ in thousands) |               |
| <b><u>Non-current assets</u></b>    |              |                  |               |
| Intangible assets                   | 6.3          | 960              | 599           |
| Property, plant and equipment       | 6.4          | 2.050            | 565           |
| <b>Total non-current assets</b>     |              | <u>3.010</u>     | <u>1.164</u>  |
| <b><u>Current assets</u></b>        |              |                  |               |
| Inventories                         | 6.5          | 13.402           | 2.218         |
| Trade receivables                   | 6.6          | 29.383           | 9.076         |
| Other receivables and prepayments   | 6.7          | 4.975            | 1.605         |
| Cash and equivalents                | 6.8          | 40.167           | 6.895         |
| <b>Total current assets</b>         |              | <u>87.927</u>    | <u>19.794</u> |
| <b>Total assets</b>                 |              | <u>90.937</u>    | <u>20.958</u> |
| <br><b>Equity and liabilities</b>   |              |                  |               |
| <b><u>Shareholders' Equity</u></b>  |              |                  |               |
|                                     | 6.9          |                  |               |
| Share capital                       |              | 18               | 18            |
| Share premium                       |              | 619              | 619           |
| Legal reserves                      |              | 946              | 579           |
| Cumulative translation reserve      |              | 15               | 30            |
| Stock compensation reserve          | 6.10         | 1.147            | 103           |
| Retained earnings                   |              | 35.061           | 6.244         |
| <b>Total equity</b>                 |              | <u>37.806</u>    | <u>7.593</u>  |
| Provisions                          | 6.11         | 394              | 70            |
| <b><u>Long-term liabilities</u></b> |              |                  |               |
| Deferred tax liability              | 6.12         | 1.301            | 0             |
| <b><u>Current liabilities</u></b>   |              |                  |               |
| Trade payables                      |              | 25.608           | 6.982         |
| Tax and social security             |              | 12.867           | 2.952         |
| Other accruals                      |              | 6.248            | 850           |
| Other liabilities                   |              | 6.713            | 2.511         |
| <b>Total current liabilities</b>    |              | <u>51.436</u>    | <u>13.295</u> |
| <b>Total equity and liabilities</b> |              | <u>90.937</u>    | <u>20.958</u> |

## Consolidated Income Statement for the Year Ended 31 December 2004

|  | Notes | <u>2004</u>      | <u>2003</u>   |
|--|-------|------------------|---------------|
|  |       | (€ in thousands) |               |
| Revenue                                      | 6.16  | 192.429          | 39.129        |
| Cost of sales                                | 6.17  | <u>107.192</u>   | <u>19.745</u> |
| <b>Gross profit</b>                          |       | <u>85.237</u>    | <u>19.384</u> |
| <b><u>Operating expenses</u></b>             |       |                  |               |
| Selling, general and administrative expenses |       | 36.817           | 7.148         |
| Research and development expenses            |       | 4.983            | 2.267         |
| <b>Total operating expenses</b>              | 6.19  | <u>41.800</u>    | <u>9.415</u>  |
| <b>Operating profit</b>                      |       | <u>43.437</u>    | <u>9.969</u>  |
| Financial income                             |       | 169              | 42            |
| Financial expenses                           | 6.20  | -943             | -567          |
| <b>Profit before tax</b>                     |       | <u>42.663</u>    | <u>9.444</u>  |
| Income tax                                   | 6.21  | 13.479           | 3.263         |
| <b>Net profit</b>                            |       | <u>29.184</u>    | <u>6.181</u>  |

## Consolidated Cash Flow Statement for the Year Ended 31 December 2004

|   | Notes | 2004             | 2003         |
|---|-------|------------------|--------------|
|   |       | (€ in thousands) |              |
| <b>Cash flow from operating activities</b>              |       |                  |              |
| Operating profit  |       | 43.437           | 9.969        |
| Adjustments for non-cash items:                         |       |                  |              |
| Depreciation and amortisation                           |       | 1.128            | 382          |
| Foreign exchange results                                |       | -451             | -376         |
| Additions to provisions                                 |       | 324              | 70           |
| Additions to stock compensation reserve                 | 6.10  | 1.044            | 103          |
| Changes in working capital:                             |       |                  |              |
| Increase in inventories                                 |       | -11.184          | -1.661       |
| Increase in receivables and prepayments                 |       | -23.677          | -7.828       |
| Increase in current liabilities                         |       | 33.843           | 8.056        |
| <b>Cash generated from operations</b>                   |       | <b>44.464</b>    | <b>8.715</b> |
| Interest received                                       |       | 169              | 42           |
| Corporate income taxes paid                             |       | -7.880           | -1.123       |
| <b>Net cash flow from operating activities</b>          |       | <b>36.753</b>    | <b>7.634</b> |
| <b>Cash flow used in investing activities</b>           |       |                  |              |
| Investments in intangible assets                        |       | -653             | -439         |
| Investments in property, plant and equipment            |       | -2.321           | -546         |
| <b>Total cash flow used in investing activities</b>     |       | <b>-2.974</b>    | <b>-985</b>  |
| <b>Cash flow from financing activities</b>              |       |                  |              |
| Interest paid   |       | -507             | -161         |
| Dividends paid  |       | 0                | -400         |
| <b>Total cash flow from financing activities</b>        |       | <b>-507</b>      | <b>-561</b>  |
| <b>Net increase in cash and cash equivalents</b>        |       | <b>33.272</b>    | <b>6.088</b> |
| <b>Cash and cash equivalents at beginning of period</b> |       | <b>6.895</b>     | <b>807</b>   |
| <b>Cash and cash equivalents at end of period</b>       |       | <b>40.167</b>    | <b>6.895</b> |

## Statement of Changes in Equity for the Year Ended 31 December 2004

|                                       | Share capital    | Share premium | Legal reserves | Cumulative translation adjustment | Stock compensation reserve | Retained earnings | Total         |
|---------------------------------------|------------------|---------------|----------------|-----------------------------------|----------------------------|-------------------|---------------|
|                                       | (€ in thousands) |               |                |                                   |                            |                   |               |
| <b>Balance as at 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 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                          | 29.184            | 29.184        |
| 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                                 | 1.044                      | 0                 | 1.044         |
| <b>Balance as at 31 December 2004</b> | <b>18</b>        | <b>619</b>    | <b>946</b>     | <b>15</b>                         | <b>1.147</b>               | <b>35.061</b>     | <b>37.806</b> |

*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.



### 6.1 General

TomTom Group B.V. ("the Company") previously known as Versalis Group B.V. at 31 December 2004 and having changed its name to TomTom Group B.V. in April 2005, 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.

### 6.2 Accounting Principles

#### *Basis of accounting*

The consolidated financial statements are prepared under the historical cost convention. Assets and liabilities are stated at book value unless indicated otherwise. The preparation of these 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 make 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.

#### *Effect of changes in accounting principles*

In 2004, the Company changed its accounting principles in order to better reflect the business practices of the Company and as part of its preparation for preparing its International Financial Reporting Standards Financial Statements. The effect of these changes in accounting principles were recorded directly to equity. The comparative figures have been restated. The effect is presented as follow:

|   | <u>2004</u>      |
|---|------------------|
|   | (€ in thousands) |
| Total equity value as per 31 December 2003 (euro) | 7.716            |
| Capitalization of development costs               | 104              |
| Revenue recognition                               | <u>-227</u>      |
| Total restated equity value as per 1 January 2004 | <u>7.593</u>     |

In 2004, the Company began to capitalize the in-house development costs. This was done retroactively. As a result, the intangible fixed assets increased, with an offset in legal reserve which is maintained in equity until utilized.

As stated in the accounting principles, certain customers may have a general right of return. These sales are not recorded until the goods have been sold by the customers to third parties.

During 2003, the Company granted options to its management and employees under the Share Option Plan. The costs associated with the options were accounted for in the income statement of the Company, with an offset in equity, thus not having an influence on the total equity value per 31 December 2003.

These changes in accounting principles will have an effect on future periods. The effect can be readily determined, but is not deemed to be significant.

### ***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:

| <u>Subsidiary name</u> | <u>Country of incorporation and residence</u> | <u>Place of residence</u> | <u>Proportion of ownership interest</u> |
|------------------------|---|---------------------------|---|
| TomTom B.V.            | 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.

### ***Related party transactions***

Transactions between the Company and related parties are disclosed in note 22, 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 are 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 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 and 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.

## 6.3 Intangible Assets

|                                       | <u>Development costs</u> | <u>Trademarks</u> | <u>Total</u> |
|---------------------------------------|--------------------------|-------------------|--------------|
|                                       | (€ in thousands)         |                   |              |
| <i>Balance as at 31 December 2002</i> |                          |                   |              |
| Investment cost                       | 360                      | 98                | 458          |
| Accumulated amortisation              | 91                       | 31                | 122          |
|                                       | <u>269</u>               | <u>67</u>         | <u>336</u>   |
| <i>Movements</i>                      |                          |                   |              |
| Investments                           | 449                      | -11               | 438          |
| Amortisation charges                  | 139                      | 36                | 175          |
|                                       | <u>310</u>               | <u>-47</u>        | <u>263</u>   |
| <i>Balance as at 31 December 2003</i> |                          |                   |              |
| Investment cost                       | 809                      | 87                | 896          |
| Accumulated amortisation              | 230                      | 67                | 297          |
|                                       | <u>579</u>               | <u>20</u>         | <u>599</u>   |
| <i>Movements</i>                      |                          |                   |              |
| Investments                           | 653                      | 0                 | 653          |
| Amortisation charges                  | 286                      | 6                 | 292          |
|                                       | <u>367</u>               | <u>-6</u>         | <u>361</u>   |
| <i>Balance as at 31 December 2004</i> |                          |                   |              |
| Investment cost                       | 1.462                    | 87                | 1.549        |
| Accumulated amortisation              | 516                      | 73                | 589          |
|                                       | <u>946</u>               | <u>14</u>         | <u>960</u>   |

No impairment of intangible assets was identified during the accounting periods.

## 6.4 Property, Plant and Equipment

|                                       | Furniture and<br>fixtures | Computer<br>hardware and<br>software | Vehicles,<br>tools and<br>moulds | Total        |
|---------------------------------------|---------------------------|--------------------------------------|----------------------------------|--------------|
|                                       | (€ in thousands)          |                                      |                                  |              |
| <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.

## 6.5 Inventories

|                                    | 2004             | 2003         |
|------------------------------------|------------------|--------------|
|                                    | (€ in thousands) |              |
| Finished goods                     | 2.860            | 1.226        |
| Components and sub-assemblies      | 11.196           | 1.287        |
| Allowance for obsolete inventories | -654             | -295         |
|                                    | <b>13.402</b>    | <b>2.218</b> |

## 6.6 Trade Receivables

|                                    | 2004             | 2003         |
|------------------------------------|------------------|--------------|
|                                    | (€ in thousands) |              |
| Gross trade receivables            | 30.000           | 9.739        |
| Allowance for doubtful receivables | -617             | -663         |
| <i>Trade receivable net</i>        | <b>29.383</b>    | <b>9.076</b> |

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.

### **6.7 Other Receivables and prepayments**

|                     | <u>2004</u>         | <u>2003</u>         |
|---------------------|---------------------|---------------------|
|                     | (€ in thousands)    |                     |
| Prepayments         | 539                 | 97                  |
| VAT and other taxes | 3.210               | 1.129               |
| Other receivables   | <u>1.226</u>        | <u>379</u>          |
|                     | <u><b>4.975</b></u> | <u><b>1.605</b></u> |

### **6.8 Cash and Cash Equivalents**

|                      | <u>2004</u>          | <u>2003</u>         |
|----------------------|----------------------|---------------------|
|                      | (€ in thousands)     |                     |
| Cash and equivalents | 37.667               | 6.784               |
| Deposits             | <u>2.500</u>         | <u>111</u>          |
|                      | <u><b>40.167</b></u> | <u><b>6.895</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 was terminated in April 2005.

### **6.9 Shareholders' Equity**

|  | <u>2004</u> | <u>2003</u> |
|--|-------------|-------------|
| Number of authorised shares            | 9.000.000   | 9.000.000   |
| Number of issued and fully paid shares | 1.824.276   | 1.824.276   |
| Par value per share (euro)             | 0,01        | 0,01        |

The Company has one class of ordinary shares that carry no right to a fixed income.



## 6.10 Share Options

| Stock Compensation Reserve  | 2004             | 2003       |
|-----------------------------|------------------|------------|
|                             | (€ in thousands) |            |
| Opening balance             | 103              | 0          |
| Stock compensation expenses | 1.044            | 103        |
| Closing balance             | <u>1.147</u>     | <u>103</u> |

In 2003, TomTom B.V. 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.

|   | Mr. M.J.<br>Gretton | Mr. G.A.<br>Ribbink | Other<br>employees | Total     |
|---|---------------------|---------------------|--------------------|-----------|
| <b>Total weighted average value for options outstanding at the beginning of the year (euro)</b> | 45.243              | 500.588             | 112.080            | 657.911   |
| Options granted in 2003 and outstanding at the beginning of 2004                                | 36.486              | 36.486              | 30.000             | 102.972   |
| Weighted average exercise price per option (euro)   | 1,24                | 13,72               | 3,74               | 6,39      |
| <b>Total weighted average value for options granted during the year (euro)</b>                  | 1.125.894           | 5.629.471           | 2.366.355          | 9.121.720 |
| Options granted during 2004   | 27.364              | 27.364              | 20.500             | 75.228    |
| Weighted average exercise price per option (euro)   | 41,15               | 205,73              | 115,43             | 121,25    |
| <b>Total weighted average value for options exercised during the year (euro)</b>                |                     |                     |                    |           |
| 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>                              | 1.171.137           | 6.130.059           | 2.478.435          | 9.779.631 |
| Options as per 31 December 2004   | 63.850              | 63.850              | 50.500             | 178.200   |
| Weighted average exercise price per option (euro)   | 18,34               | 96,01               | 49,08              | 54,88     |
| <b>Average remaining period</b>   | 3,74                | 4,17                | 3,78               | 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.

### *Calculation of value of share options on date of grant*

The fair value of the options granted is determined by the Black and 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.

The input into the Black and Scholes model is as follows:

|  | 2004      | 2003      |
|--|-----------|-----------|
| Weighted average share price (euro)    | 65,78     | 9,64      |
| Weighted average exercise price (euro) | 54,88     | 6,39      |
| Expected volatility                    | 35,00%    | 35,00%    |
| Expected life                          | 60 months | 60 months |
| Weighted average risk free rate        | 3,46%     | 3,61%     |
| Expected dividends                     | Zero      | Zero      |

Volatility is determined using industry benchmarking for listed peers. The share price on the date of grant is determined in a 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 6 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 two Board Members 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 the continued employment of the Board Members until November 2005. These contingent share options have a three-year vesting period and a subsequent two-year exercise period.

## **6.11 Provisions**

|                                     | Warranty | Other            | Total |
|-------------------------------------|----------|------------------|-------|
|                                     |          | (€ in thousands) |       |
| Opening balance at 1 January 2003   | 0        | 0                | 0     |
| Increases in provisions             | 0        | 70               | 70    |
| Utilised                            | 0        | 0                | 0     |
|                                     | 0        | 70               | 70    |
| Opening balance at 1 January 2004   | 0        | 70               | 70    |
| Increases in provisions             | 394      | 0                | 394   |
| Utilised                            | 0        | -70              | -70   |
|                                     | 394      | 0                | 394   |
| Closing balance at 31 December 2004 | 394      | 0                | 394   |

## 6.12 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.

## 6.13 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:

|                                 | <u>2004</u>      | <u>2003</u> |
|---------------------------------|------------------|-------------|
|                                 | (€ in thousands) |             |
| Commitments less than 1 Year    | 452              | 314         |
| Commitments between 1 - 5 Years | 2.702            | 372         |
| Commitments longer than 5 Years | 724              | 0           |
|                                 | <u>3.878</u>     | <u>686</u>  |

No discount factor is used in determining the operational lease commitments.

## 6.14 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.

## 6.15 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.

### Recapitalisation

At the incorporation of TomTom Nederland B.V. in April 2005, TomTom Group B.V. contributed all shares it held in TomTom B.V. to TomTom Nederland B.V., in exchange for 100.000.000 TomTom Nederland B.V. shares with a nominal value of €0,20 each. Following the incorporation of TomTom Nederland B.V., TomTom Group B.V. will be merged into TomTom Nederland B.V., and TomTom Group B.V. will cease to exist.

As a consequence of this legal merger, TomTom Nederland B.V. will acquire 100.000.000 of its own shares, and immediately cancel those shares. Also as a consequence of the merger the shareholders of TomTom Group B.V. will become shareholders of TomTom Nederland B.V.

Each of the four Shareholders of TomTom Group B.V. will therefore effectively exchange 456.069 shares of TomTom Group B.V. for 25.000.000 newly-issued shares of TomTom Nederland B.V. 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 early May, each of the four Shareholders of TomTom Group B.V. will hold 25.000.000 of the issued and outstanding shares of TomTom Nederland B.V.

## 6.16 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>           | <u>2004</u>           | <u>2003</u>          |
|--------------------------|-----------------------|----------------------|
|                          | (€ in thousands)      |                      |
| Western Europe           | 186.795               | 38.897               |
| United States of America | 5.634                 | 232                  |
| <b>Total</b>             | <u><b>192.429</b></u> | <u><b>39.129</b></u> |

| <b>Assets</b>            | <u>2004</u>          | <u>2003</u>          |
|--------------------------|----------------------|----------------------|
|                          | (€ in thousands)     |                      |
| Western Europe           | 88.800               | 20.555               |
| United States of America | 2.137                | 403                  |
| <b>Total</b>             | <u><b>90.937</b></u> | <u><b>20.958</b></u> |

| <b>Liabilities</b>       | <u>2004</u>          | <u>2003</u>          |
|--------------------------|----------------------|----------------------|
|                          | (€ in thousands)     |                      |
| Western Europe           | 52.159               | 13.248               |
| United States of America | 578                  | 47                   |
| <b>Total</b>             | <u><b>52.737</b></u> | <u><b>13.295</b></u> |

| <b>Capital Expenditures</b> | <u>2004</u>         | <u>2003</u>       |
|-----------------------------|---------------------|-------------------|
|                             | (€ in thousands)    |                   |
| Western Europe              | 2.271               | 519               |
| United States of America    | 50                  | 27                |
| <b>Total</b>                | <u><b>2.321</b></u> | <u><b>546</b></u> |

| <b>Results</b>           | <u>2004</u>          | <u>2003</u>         |
|--------------------------|----------------------|---------------------|
|                          | (€ in thousands)     |                     |
| Western Europe           | 28.999               | 6.506               |
| United States of America | 185                  | -325                |
| <b>Total</b>             | <u><b>29.184</b></u> | <u><b>6.181</b></u> |

## 6.17 Cost of Sales

Cost of sales consist of the following items:

|   | <u>2004</u>      | <u>2003</u>   |
|---|------------------|---------------|
|   | (€ in thousands) |               |
| Inventories sold during the periods       | 100.149          | 18.731        |
| Logistic charges                          | 8.931            | 1.014         |
| Exchange rate (gains)/losses on purchases | -1.888           | 0             |
|   | <u>107.192</u>   | <u>19.745</u> |

## 6.18 Employee Benefits

The total remuneration paid to or on behalf of members of the Management Board 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 €3,0 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). These can be broken down by activity, as follows:

|                          | <u>2004</u> | <u>2003</u> |
|--------------------------|-------------|-------------|
| Marketing and Sales      | 82          | 41          |
| Research and Development | 55          | 32          |
| General                  | 59          | 31          |
|                          | <u>196</u>  | <u>104</u>  |

## 6.19 Additional Information Regarding Operating Expenses

Included in the operating expenses are, amongst others, the following items:

|   | <u>2004</u>          | <u>2003</u>         |
|---|----------------------|---------------------|
|   | (€ in thousands)     |                     |
| Personnel expenses - salaries           | 7.039                | 2.949               |
| Personnel expenses - stock compensation | 1.044                | 103                 |
| Personnel expenses - social securities  | 794                  | 299                 |
| Personnel expenses - pensions           | 233                  | 49                  |
| Personnel expenses - other              | 2.536                | 1.405               |
| Wage tax - stock compensation           | 3.609                | 0                   |
| <b>Personnel expenses</b>               | <b><u>15.255</u></b> | <b><u>4.805</u></b> |

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 has been 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.

|  | <u>2004</u>      | <u>2003</u> |
|--|------------------|-------------|
|  | (€ in thousands) |             |
| Other operating expenses                         |                  |             |
| Expenses on consultancy and other external costs | 1.882            | 398         |
| Rent and other housing costs                     | 873              | 262         |
| Expenses on IT and office                        | 143              | 94          |
| Marketing expenses                               | 19.630           | 2.537       |
| Depreciation and amortisation expenses           | 1.128            | 382         |

## 6.20 Financial Expenses

Financial expenses include the following items:

|                              | <u>2004</u>        | <u>2003</u>        |
|------------------------------|--------------------|--------------------|
|                              | (€ in thousands)   |                    |
| Interest paid                | -507               | -161               |
| Exchange rate gains/(losses) | -436               | -406               |
|                              | <b><u>-943</u></b> | <b><u>-567</u></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 recognized in cost of sales.

## 6.21 Income Tax

|                        | <u>2004</u>      | <u>2003</u>  |
|------------------------|------------------|--------------|
|                        | (€ in thousands) |              |
| Earnings before taxes  | 42.663           | 9.444        |
| Applicable tax rate    | 34,5%            | 34,5%        |
| Taxation               | <u>14.719</u>    | <u>3.258</u> |
| Tax expense recognised | 13.479           | 3.263        |
| Difference             | <u>1.240</u>     | <u>-5</u>    |

This difference to the nominal tax rate is explained by these items:

|  |               |          |
|--|---------------|----------|
| Tax effect of permanent differences originating for the issue of share options     | -1.502        | 28       |
| Tax effect of expenses that are not deductible in determining taxable profit       | 269           | 0        |
| Tax effect of different tax rates of subsidiaries operating in other jurisdictions | -7            | -23      |
| Total  | <u>-1.240</u> | <u>5</u> |

The tax benefit relates to the excess of the tax basis compared to the commercial basis for stock options issued to employees.

## 6.22 Related Party Disclosure

All other related party transactions are between the Company and its subsidiaries. These have been eliminated on consolidation.

## 7 Corporate balance sheet as at 31 December 2004

(after proposed appropriation of the net result)

|                                     | <u>Notes</u> | <u>2004</u>          | <u>2003</u>         |
|-------------------------------------|--------------|----------------------|---------------------|
|                                     |              | (€ in thousands)     |                     |
| <b><u>Non-current assets</u></b>    |              |                      |                     |
| Financial fixed assets              | 9.1          | 37.175               | 6.943               |
| <b><u>Current assets</u></b>        |              |                      |                     |
| Other receivables                   |              | 12                   | 8                   |
| Cash and equivalents                |              | <u>671</u>           | <u>668</u>          |
| <b>Total current assets</b>         |              | <u>683</u>           | <u>676</u>          |
| <b>Total assets</b>                 |              | <u><b>37.858</b></u> | <u><b>7.619</b></u> |
| <b>Equity and liabilities</b>       |              |                      |                     |
| <b><u>Equity</u></b>                |              |                      |                     |
| Share capital                       |              | 18                   | 18                  |
| Share premium                       |              | 619                  | 619                 |
| Legal reserves                      |              | 946                  | 579                 |
| Cumulative translation reserve      |              | 15                   | 30                  |
| Stock compensation reserve          |              | 1.147                | 103                 |
| Retained earnings                   |              | 35.061               | 6.244               |
| <b>Total equity</b>                 |              | <u>37.806</u>        | <u>7.593</u>        |
| <b><u>Current liabilities</u></b>   |              |                      |                     |
| Other liabilities                   |              | 52                   | 26                  |
| <b>Total equity and liabilities</b> |              | <u><b>37.858</b></u> | <u><b>7.619</b></u> |



## 8 Corporate income statement as per 31 December 2004

|                            | Notes | <u>2004</u>          | <u>2003</u>         |
|----------------------------|-------|----------------------|---------------------|
|                            |       | (€ in thousands)     |                     |
| Income from participations |       | 29.203               | 6.177               |
| Other income / (expense)   |       | <u>-19</u>           | <u>4</u>            |
| <b>Net profit</b>          |       | <u><b>29.184</b></u> | <u><b>6.181</b></u> |

## 9 Notes to the Corporate Financial Statements

### 9.1 Accounting principles

The corporate financial statements of the Company have been drawn up using the same accounting principles as those applied to the consolidated financial statements.

In accordance with article 402 Book 2 of the Netherlands Civil Code, the profit and loss account is presented abbreviated.

### 9.2 Financial fixed assets

Financial fixed assets consist of investments in subsidiaries. The movements in the year can be detailed as follows:

|  | <u>(€ in thousands)</u> |
|--|-------------------------|
| Opening balance at 1 January 2004            | 6.943                   |
| Movements                                    |                         |
| Income from participations                   | 29.203                  |
| Effect of stock compensation in subsidiaries | 1.044                   |
| Translation differences                      | -15                     |
| Closing balance at 31 December 2004          | <u>37.175</u>           |

### **9.3 Signing of the financial statements**

Amsterdam, 26 April 2005.

Management Board:

Harold Goddijn

Corrine Vigreux

Pieter Geelen

Peter-Frans Pauwels

Alexander Ribbink

Mark Gretton

Marina Wyatt

## **10 Other information**

### **10.1 Statutory provision with respect to appropriation of results**

According to the Company's Articles of Association, the Company's result is freely at the disposal of the shareholders, provided that total shareholders' equity exceeds the called-up and paid-up capital of the Company, increased by legal and statutory reserves.

### **10.2 Proposed appropriation of result**

Management proposes to add the net profit in full to the retained earnings.

### **10.3 Auditors' opinion**

Reference is made to the auditors' report included hereinafter.

Date  
26 April 2005

From  
A. Sandler

Reference  
3100200243/OP9999/ns

## Auditor's Report

### Introduction

We have audited the financial statements of TomTom Group B.V. (the "Company"), previously known as Versalis Group B.V. and having changed its name to TomTom Group B.V. in April 2005, for the year 2004. 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 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 at 31 December 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

*Deloitte Accountants B.V.*